DATA PROCESSING

On-line computer services

ICL launches ME29 for local terminal users

LAUNCHING a new processor in its ME29 range, ICL head office is also discreetly looking to lift national branches in this part of the world out of their depression, by reminding them of the company's successes.

But there is obviously more than the new model and a bit of "gingering up" of the sales force involved in the company's "re-promotion" of its small machine.

It could well prove to be an integral element in the company's avowed direction for the future under its new management — a stronger approach to the "automated office".

Along with a mid-range model which directly attacks the IBM 4331 group 1 distributed processing machine, ICL has boosted the "local" terminal handling capabilities of the ME29.

Veiled hints are beginning to emerge of an ICL "local area network" discipline; specifically designed to allow items of computer and office equipment to communicate simply over a flexible network within the same building or adjacent buildings.

Mike Reardon, ME29 marketing manager, visiting this country as part of the "re-promotion" exercise, declined to comment on any specific ICL local area network plans, beyond saying that LAN's were "a significant factor for the future".

On the more conventional communications front, the ME29's "local" terminal support has been upgraded, from 24 to 56 terminals.

Terminals can now be "multi-dropped — strung along a single communications line — and can operate "locally", without involving Post Office lines, up to two kilometres away from the central processor.

A new small 80-characters per line, 80-characters per second printer gives the local terminal operator inexpensive hard-copy output, said Reardon.

Within "two to four years", Reardon predicted, the ME29 would replace "the vast majority" of ICL's previous small business machines, the 2903 family.

While the numbers are similar, the small "2900" machines are very different in internal organisation and task-running environment from the large machines; ICL has tried various strategies to bridge the gap, but the prospective replacement of 2903s by ME29s changes the picture again.

The ME29 has provision for accommodating 2903-style operating environments, and from these, the user can progress by using a few at a time of the specialist features of the ME29 and easing into a full ME29 environment, said Reardon.

One ME29 user, he said, had accused ICL of lying about the ease of transition from 2903. "You said the transition was trivial; there's no transition at all."

What about the user who hit the top of the ME29 range?

There was still a bit of a leap to the large 2900 environment, Reardon admitted, but he questioned the reality of the software "tie-in" problem. In an environment of rapid business change, applications programs had a limited life anyway, and a moving population of programs made the shift to another operating environment easier.

But at this point, he came back to the "distribution" concept; expansion need not be to a single bigger machine, he stressed. The distributed processing solution — several ME29s connected in a network — was a feasible next state, he suggested.

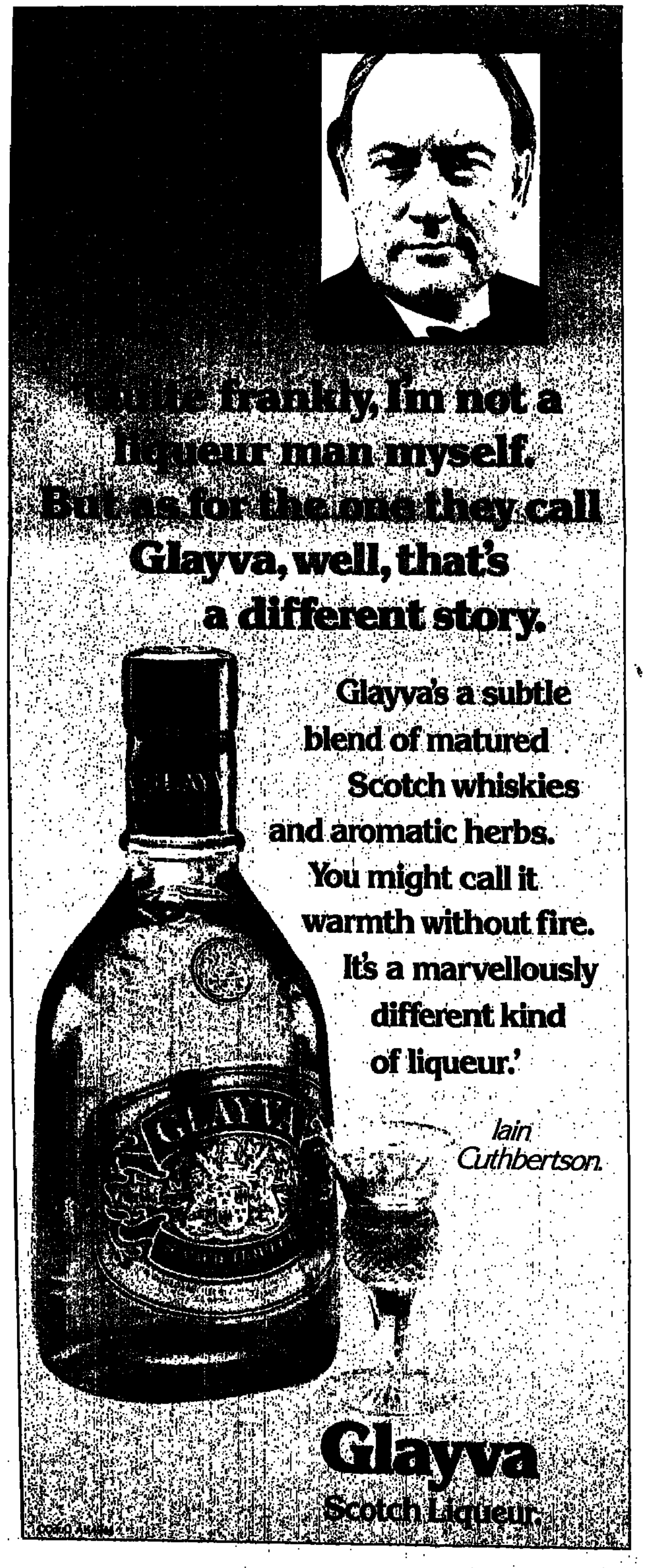
With the fall in price of hardware, the economies of scale represented by centralised processing became less significant.

The modern manager seeks to establish well-defined profit centres, and is increasingly asking of the centralised DP department, "how can you expect me to run my profit centre here and my DP elsewhere?"

The distributed processing concept has come under attack recently, notably from US expert Herb Grosch (*NBR*, July 20). It did have its disadvantages, particularly from a staffing point of view, Reardon acknowledged, but powerful communications disciplines like ICL's "offer the choice" of distributed or centralised processing.

The new ME29 processor is an intermediate model, between the current 35 and 60, called, with the logic we have come to expect from the industry, the Model 37. "We wasn't quite halfway between and we could hardly call it 38" — IBM has already pre-empted that number for one of its more adventurous models.

The 37 would allow users to make a direct comparison with IBM's 4331/1, a comparison which clearly works out in ICL's favour at present.



Gigi (explanation deleted) reticent

DESPITE widespread advertising in the United States for its Gigi microcomputer/terminal, Digital Equipment still doesn't want any publicity to leak out before the "big local presentation" scheduled for next month.

NBR's former stable-mate *NZ Data Processing* introduced the machine to its readers back in December last year, reporting that New Zealand, Australia and Canada had been selected as initial test markets for the machine, before its release in Digital's home market, the United States.

There had still not been an official United States release of the terminal, Digital said last week; but people who want to find out all about this interesting machine, with its powerful colour graphics, need only look up some of the recent American technical press, plastered with "pre-release" advertisements.

Indeed, these advertisements are already beginning to hint that Digital made a bit of a mistake in assessing its original market for Gigi.

The reason for selecting us, Australia and Canada for first release, was our high proportion of educational users of Digital machines. Gigi was seen as an educational aid.

Now, the company has decided, the unreleased machine is "more than an educational terminal" and worthy of a pitch to business users.

Last week, *NBR's* computer writer sought his own "pre-release" look at the machine, by sneaking (none too secretively) into a demonstration put on for the benefit of the DSIR. The Digital people knew him, were welcoming and answered all his questions (well, nearly all).

Later in the day, we got a telephone call. Sorry, but we couldn't say anything about Gigi yet, because she hadn't been formally released.

So we can't tell you anything about the machine, other than what we already knew before the DSIR event.

It appears, anyway, that Gigi (General Imaging Generator and Interpreter) has versatile colour graphics and text processing software, which would make it almost as suitable for a businessperson of an adventurous turn of mind as for educational use.

In the latter area it appears far more relevant to universities than to the currently "hot" schools market, since it virtually requires a back-up machine.

It does have the capacity to run in stand-alone mode, programmed in Basic, but there is precious little room for users' programs, once you've put in all the software.

Still, that's a problem can be remedied with additional memory, and Gigi (known more formally as the XK-...) may yet turn out to be Digital's entry to the "personal computer" market.

It suits quite neatly on an office desk, and could be a boon to the manager who wants to pull figures off the company's main machine and represent them as a graph, bar chart, pie chart, or format a smart-looking report.

Within the next month or so Digital will make its big splash and we can tell you the rest of the story (including the price).

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NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

National Business Review

Incorporating Admark and NZ Data Processing

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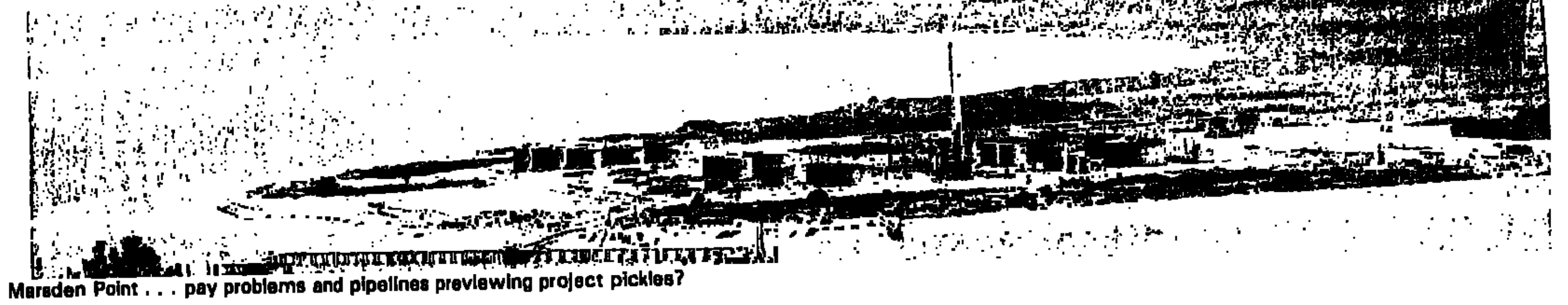
Inside


Marsden Point . . . pay problems and pipelines previewing project pickles?

On-site infighting bodes ill for growth projects

by Allan Parker

WITH firm investment decisions made on only 20 per cent of the proposed "think big" projects, factional infighting among interested parties threatens to disrupt the Government's 10-year, multi-billion dollar development programme.

Recent events in Taranaki and Northland, regions where projects worth more than $2 billion are proposed, have strengthened earlier fears about the vulnerability of the "growth strategy" projects to internal and external pressures.

NBR has identified at least five current disputes involving parties connected with the big projects programme.

Individually, each is worrying. Combined, they make ominous the long-term prospects of a smoothly run programme.

The disputes include:

- Continuing industrial action at the Marsden Point refinery site which is estimated to be costing at least $60,000 a day;
- Allegations of tradesman-poaching between project contracters in Taranaki that could escalate wage rates in the region;
- An inter-union demarcation dispute in Taranaki that has now involved the Federation of Labour and the Arbitration Court;
- Claims that overseas contracters are actively trying to source engineering work overseas that could be done by New Zealand companies; and
- Another claim that a state-owned company, Petrocorp, has acted irresponsibly by refusing to insist on safeguards that would prevent staff poaching and its consequent wage-spiralling.

At Marsden Point, there has been a continuing pay dispute between the New Zealand Refining Company and the refinery operators over the past six months. Just last week, the refinery came to a standstill when another continuing pay dispute with 35 maintenance workers ended in a total shutdown of the plant.

Another industrial dispute

Continued Page 11

TAANZ president reiterates his position

THE president of the Travel Agents Association of New Zealand (TAANZ), Mr Alan Spence, has emphasised to *National Business Review* his personal opposition to and concern about illegal fare discounting. This opposition and concern is shared by his association as a matter of policy.

Mr Spence reaffirmed his position in response to a front-page article in this newspaper on July 27. The article stated that some TAANZ members were talking of "impeaching" Mr Spence as their national president for selling illegal fares through his United Holidays consortium outlet — Watson Travel, of Invercargill.

J E Watson and Company Limited is a well-known Invercargill mercantile firm which operates a travel department under the name of Watson's Travel. Mr Spence is the company travel manager.

Mr Spence has assured us — and we accept — that Watsons Travel has never offered for sale or sold illegal fares.

This newspaper therefore withdraws any suggestion that Mr Spence, in the course of his employment, or Watsons, in the course of their business, have been involved in the trading of illegal fares.

National Business Review regrets its error and unreservedly apologises to both Mr Spence and Watsons Travel.

Nice one, Rob . . . for this year anyway

by Klaus Sorensen

THE Muldoon election-year interest rate strategy seems to be working perfectly — but wait till next year.

The Minister of Finance has been publicly warning finance companies to keep their rates down while the traditional election-year liquidity boost is dampening rates anyway.

But the lid will eventually blow. Money market operators are picking a top debenture rate of around 18 per cent by April or May next year.

The inflationary effect of the budget, and the current relaxation of liquidity, may take some nine months to filter through the economy before it is reflected in a rising inflation rate. So the Government will be forced to curb liquidity early next year — which will firm rates.

As well, there will be a rising demand for industrial finance as construction begins on the major projects, and the Government will have to raise finance for the Budget deficit, through Government stock borrowing.

The current Government stock rate of 13 per cent is expected to have moved up to between 15 and 16 per cent when the Government finally instructs the Reserve Bank to make a stock issue.

But while the threats to the finance companies have had little bearing on current rates and most finance company executives seem relatively un-

Continued Page 11

Travel agent's problems puts pressure on bonding

by Warren Berryman

THE Travel Agents Association of New Zealand introduced its new bonding scheme last Monday, just as the consumer protection provisions offered by agency bonding were being put to the test.

New Zealand Insurance Company, TAANZ's bonding authority, came to the rescue of travellers overseas who had bought package tours from a travel agency in financial difficulty.

These travellers, having paid for their overseas accommodation, would almost certainly have been turned away from hotels by hoteliers worried about non-payment from the travel agency, had it not been for the bonding system.

Consumers are protected by the bond, but airlines and other trade creditors are not.

IATA airlines recently withdrew their plates (imprinting devices used to validate an air ticket in the name of one carrier) from Bolingbroke Travel, a package tour specialist with offices in Auckland and Christchurch.

IATA's bank settlement plan, the clearing house for all international ticket money, withdrew its ticket stocks and issued a notice of delinquency on Bolingbroke Travel on July 31.

Bolingbroke Travel has been given 10 days to pay over funds collected from the public, but not passed on to the BSP.

The amount owing to various airlines is understood to be more than $120,000.

Bolingbroke Travel's major shareholder, Lord Bolingbroke, said the NZI was looking after the travellers. He said he could not give *NBR* an exact figure on what was owed to the airlines, which he expected to rank along with hoteliers and others as unsecured creditors.

As the airlines were withdrawing their plates late last month, NZI put its own man in to work with Bolingbroke Travel management and keep travellers moving without delay or inconvenience.

NZI is also looking after consumers who have paid for tickets and not uplifted them or paid deposits on tickets.

Bolingbroke Travel's Dennis Wall recently replaced Lord Bolingbroke as managing-director. Wall said that both Bolingbroke agencies were to be sold. He declined to name the buyer or buyers.

Apart from goodwill, Bolingbroke Travel's major asset is its IATA accreditation. This is not transferable to a new owner.

IATA accreditation is granted by the agency investigation panel, an IATA body, which will not meet again till September.

Wall said the major cause of Travel's difficulties was the illegal discounting of air tickets by competitors.

"People no longer ask what the fare to London is. They ask what your fare is. We have a reputation we wouldn't like to see disappear in a court case," he said.

TAANZ changed its bonding system last Monday.

Under the old system, each TAANZ agent was bonded for $20,000 and TAANZ was covered with an umbrella bond for $230,000. Both risks were covered by NZI.

Under the new system, NZI carries the $230,000 umbrella bond until such time as TAANZ is ready to carry its own risk. TAANZ has levied members $200 each to build up a bonding pool.

The $20,000 member bond is no longer covered by NZI but by each individual agency through directors' indemnities.

The bond draws a distinction between consumer protection and comercial risk, covering the former and not the latter.

The Bolingbroke Travel risk is carried in total by NZI under the old system.

Under the new system, TAANZ would have looked after the travellers through its own bonding agent (a Wellington accountant) and then gone to the directors of the travel agency to recoup its expenses up to $20,000.

The TAANZ bonding system last came to the rescue of stranded travellers when Wellington's Treasure Tours collapsed last year.

This collapse cost the bonding authority about $40,000.

The Bolingbroke case is the first time that a substantial sum has been owed to the airlines.

The week that was

THE Government threatened to impose youth wage rates by legislation if necessary.

WHANGAREI fishermen reacted against Government proposals to restrict access to the Hauraki Gulf.

CONSTRUCTION of the second geothermal power station was delayed by negotiations with the Maori owners of the Ohaki site and final Government approval for the project.

FRUIT-growers worried about fruit fly eggs entering New Zealand in Californian grapes or citrus fruit.

Week to be

MONDAY: Institute of Agricultural Science convention, Massey University, to Friday

NZ Motor Corporation AGM, Wellington

TUESDAY: New Zealand Business Planning Society Wellington branch AGM

Hawkins Holdings AGM, Hamilton

Donaghy's Industries AGM, Hamilton

Contractors Federation conference, Hastings, to Friday

THURSDAY: UEB Industries AGM, Wellington

Brother Distributors AGM, Christchurch

Motor Holdings AGM, Auckland

FRIDAY: Dominion Breweries AGM, Wellington

Grosvenor Properties AGM, Auckland

Trade mission challenge to FOL Chile ban

by Allan Parker

THE most serious challenge yet to the Federation of Labour's trade ban on Chile will come from a trade mission to South America next March. The mission will visit three countries — Brazil, Argentina and Chile.

It is being organised by the Owens Group, in association with the international division of the New Zealand Chambers of Commerce. That gives it a semi-official authority that will test the continuing ban on trade with Chile by the FOL.

The organisers are careful to insist that each country on the itinerary is of equal importance to New Zealand trading interests. They are also aware of the political connotations behind the decision to include Chile.

Invitations to take part were mailed to businessmen and companies last week; all were aimed at individuals of chief international manager/general manager status and above.

Strong support from such a senior cross-section of the business community would give weight to the campaign to persuade the FOL that its ban is hurting New Zealand rather than Chile.

Owens Group chairman Bob Owens, inviting participation in a mission brochure, says: "We believe that the various markets of South America hold considerable potential for New Zealand importers and exporters, our country's tourist industry, banking and investment concerns, and those involved in technology exchange.

"While individual companies and organisations will already have varying degrees of contact with South American companies, little has so far been done on a 'New Zealand incorporated' basis to examine this potential — particularly in the case of Brazil, Argentina and Chile."

Owens has previously voiced his feelings about the ban. Following a visit to Chile earlier this year, he said he would continue to fight the ban. "The Chileans are doing their best to put their house in order and New Zealand is the only sufferer in this process," he said.

The Chambers of Commerce, too, have publicly opposed the ban. At last month's annual conference in Greymouth, the chambers moved a request that the FOL "urgently" reconsider its position.

"The motion also urges the FOL to satisfy itself that the continuation of the ban is sustainable. If the FOL is not satisfied that the ban remains necessary (in the light of the attitudes of other trade union movements around the world) the motion calls for the FOL to take urgent steps to have the ban removed."

The federation has refused to bow to the mounting pressure to have the ban removed.

Wellington political, trade and commercial circles believe, however, that the federation would not be unhappy about lifting the embargo if a satisfactory face-saving formula could be found.

For that reason, they are reluctant to discuss openly the ban for fear of provoking a continuing FOL hard line.

At least one senior trade union official has privately blamed the continuing embargo on the public moves by employers and the Government to have it lifted. But even within the trade movement, opinion is understood to be divided about maintaining the ban.

So an invitation by Chilean trade unionists to New Zealand Freezing Works Clerical Union secretary Michael Cullen to visit Chile is being regarded as a test case for possible future invitations.

The Cullen invitation is a personal and union-union one; as such it has nothing to do with the Chilean trade union movement or the FOL. Cullen is still awaiting a formal, written invitation to follow the verbal one he has already received.

Acceptance, he told *NBR* last week, will "depend on the type of invitation, if there are no conditions". There was no suggestion of "strings attached" in the verbal invitation, he said.

Chilean commercial counsellor Danial Camus told *NBR* that there would "most probably" be an official reception for the trade mission when it arrives in Santiago next March.

Also, he said, there would probably be discussions with Chilean Government officials as well as private industry representatives.

Such official credibility will add to the pressure for the embargo to be lifted.

Private attack on Poly

PRIVATE microcomputer forces are regrouping for another attack on what they see as the privileged status of the Poly computer in the educational market.

Poly was developed at the Wellington Polytechnic and is currently supported by the Development Finance Corporation. A proposal will soon be put before Cabinet to fund, through the Education Department, a blanket distribution of Poly configurations to the country's secondary schools.

The Microcomputer Industry Association, a still formative body based in Auckland sent a deputation south last week to see Education Minister Merv Wellington.

They were concerned at the secrecy surrounding the Poly development until recently and at the apparent "single tender" attitude being adopted by Government towards the development and distribution of a machine for schools.

Association spokesman John Lovelock declined to say exactly what points had been put to the Minister, but private sector firms clearly feel that given the time and appropriate indication of Government's plans for school computing, they could have come up with something better or cheaper.

Auckland trade fair may be last of its kind

by Lindsey Dawson

THE 1981 New Zealand International Trade Fair, which ended last week in Auckland, may well be the last of its type held in that city.

Participants were generally pleased with the sales results, but a deep groundswell of opinion suggests many countries would prefer specialist fairs.

The Australians were "ecstatic" about the success of their display — but they were the only country which decided on an industrial theme and had all exhibitors "get in behind".

"All of our 49 exhibitors met their own company objectives and the majority of them have by far exceeded that figure," said Dick Wilson, director of the Australian display — a blaze of yellow, green and royal blue with hostesses suited-up to match.

The British commercial consul, James Travis, said the fair had been "well worth doing", but that the Consulate-General would rather support a specialty-type fair than a general exhibition.

"All things being equal we will respond to pressure to come again, but we don't take the view that it is any of our business to lead in determining what type of fair should be held," he said.

It was up to New Zealand industry and New Zealand fair promotors and exhibitors to decide what they want to do and offer it to the international business community.

West German trade officer Rudolf Rindermann concurred that the fair had been worthwhile, "but I think New Zealand trade fairs will change in the future," he said.

He agreed with many other eshibitors that the cost of mounting major stands was high.

West Germany spent almost $100,000 on its exhibit; the British even more on their red, white and blue hall. The French and the Scandinavians were also big spenders.

What these countries have to weigh up is the cost of such presence, against the cost of sending small specialist trade missions here aimed directly at potential customers.

On show at the fair was everything from Persian carpets to helicopters, fragile crystal to huge industrial machines. Many of the fair visitors would not have been interested in the full range.

"The success of these things is not measured so much in terms of sales made, but in terms of the expansion of your potential customer circle," Travis said.

"Almost all our exhibitors were well-satisfied," he said.

"If it happens that there are no appropriate specialist fairs in New Zealand in the next few years, then those who exhibited here will be back again.

"But, even given the size of the local market — and this is a limiting factor in mounting specialist fairs — I think most of our people would prefer to support vertical promotion rather than the horizontal promotion we've had here," Travis said.

A visiting businessman in the French pavilion said he thought the fair was "rather low-key" and did not relate directly to New Zealand's needs.

"New Zealand requires technology, heavy industrial equipment, and there is a lack of it here," he said. Some of the stands at the fair had been "appalling" and the publicity had been lacking.

"I've told people around town that I'm here for the trade fair and they ask 'what trade fair?', "

He doubted that anyone would say the fair had been "a roaring success", but trade fairs seldom were, he said.

Several exhibitors told *NBR* they hadn't really expected to sell much at the fair, and there were many whose goods are on strict import control and so the exhibits were all pre-sold anyway. They were there only for the public relations value, or as one said; "because we can't afford not to be".

1981

One trader from Pakistan, who had brought a large consignment of clothes and crafts to New Zealand, hoping for heavy direct sales at the fair, was obviously disappointed. Sales were "so-so" he said. "People did not seem to have money in their pockets. Even the public day was not very good."

He said he thought there was not enough publicity and that there should have been more open days.

Conspicuous by their low-key approach were the Americans. Their small pavilion was dominated by a photo of President Ronald Reagan flanked by bowls of flowers. An aggressive sales team for *Encyclopaedia Britannica* sold $25,000 worth and other stall-holders expressed satisfaction with public interest.

But while other exhibitors were heavily subsidised by their governments, the American stands were set up on the "user-pay" principle.

A consulate commercial section employee said many firms which had been approached did not want to participate in a general trade fair. "There's an office equipment fair coming up in Christchurch and all of those firms and the computer people are planning for that," she said.

While buoyed up with the success of their pavilion, the Australians have not yet decided whether to participate in the next trade fair planned for Wellington in two years. "The Wellington people have been around asking for opinions, but till we know what they're planning we won't be making any decisions," Wilson said.

Some of the 15 nations exhibiting in Auckland were very unhappy with the trade fair catalogue, listing the participating companies, which has been printed by *Auckland Star* publishers NZ News Ltd.

One foreign trade commissioner told *NBR* that he's be insisting that the pr… job go up for tender when next fair is scheduled, in … years. "To say that we … unhappy is the least you c… say," he said.

Another European was … philosophical. "It was … mess last time that none d… expected too much of it … occasion," he said.

Some of the mistakes in … brochure:

- The omission of 24 Sc… dinavian companies, … which had spent $1500 … tising in the brochure.
- Mis-spelling of many … names.
- Wrong listings of comp… representing foreign inte… A French telephone equ… company was listed as … the representative of a … company. Another com… was astounded to find … biggest competitor was … being its New Zealand …
- Some British listings … correct.
- The German pavilion … given the wrong p… number.

NBR understands that … News was approved … contract by the committee … exhibiting nations. There … no competing bids. "A… were the only contender … little choice," said one com… tee member.

An NZ News spokesman … the only complaints … about the 128-page cat… had been from the Scan… vian countries. "Unfortu… it appears a few pages … missed out," he said. A s… ment had been printed to … rect the situation, he said.

Challenge goes micro

by Stephen Bell

CHALLENGE Computers has made its expected extension into the microcomputer field — and once again has chosen a Japanese product.

Its agency for the Sord micro complements the company's interest in the Fujitsu Facom V-series of small business computers and its large-machine bureau. This is currently based on Burroughs equipment, but Facom again is a hot contender for a planned network upgrade.

Sord already has a broad range of desk-top machines suitable for the small business user, and current New Zealand distributors have approached a range of specialist markets, from medicine to process control.

This trend will continue under Challenge, with the significant extra possibility of linking a Sord machine into the bureau network; the user will be able to move into "distributed processing" style, running ordinary tasks in the Sord "front end" and resorting to the Challenge machines for large-scale "number crunching" and database access.

DSIR-backed solar heater withdrawn from market

by Warren Berryman

A NEW Zealand-made solar water heater, developed, tested, and highly rated by the Department of Scientific and Industrial Research, has been withdrawn from the market by its manufacturers.

Morrison Industries Ltd had bought the rights to the water heater from the DSIR about three years ago.

Morrison's general-manager, Rod Russell, said production engineering of the device was not viable, because of the limited potential sales in this small market.

Technical difficulties with the DSIR-developed heater precluded exports to the United States, and the newly elected Reagan Government cut back on solar power subsidy schemes which had previously helped American sales, he said.

Morrison's distributor, A & T Burt Ltd, dropped the heaters last March after complaints of condensation and corrosion problems and leaks in the heaters.

Last year the DSIR tested the Morrison solar water heater together with 12 of its competitors and ranked the Morrison heater number three for efficiency.

This test drew some flak from competing solar water heating manufacturers, who claimed the DSIR, in testing a device it had developed, was less than independent.

"How can the DSIR be the testing authority when its own model is in competition to ours?" one manufacturer asked.

The DSIR is now testing another batch of 14 solar water heaters. The results are expected out by the end of this month.

The DSIR has also invested about $200,000 in a solar laboratory in Gracefield to test passive solar systems (the use of structure and windows in houses to heat them).

Russell said Morrison Industries dropped its solar heaters in the belief the New Zealand market was not big enough to justify further investment in production engineering — assuming that Morrisons had the entire market which it shared with many competitors.

Because electricity was relatively cheap here, the savings from solar water heating did not justify the cost of the heater, he said.

Technical problems plagued Morrison's exports to the United States. Because of the extreme temperature changes in California, the heaters either froze up or overheated, he said.

Made of mild steel plate, rather than the more expensive copper, condensation caused corrosion of the heaters.

The DSIR test of the Morrison heater and others was conducted over a year.

The DSIR's findings, published in the *New Zealand Energy Journal* last July, made no mention of the shortcomings in the heater the DSIR developed that led to its being withdrawn from the market.

New post

by Stephen Bell

LEWIS T Gyson, a well known international consultant within and outside the information processing field, has taken up the position of Wellington regional manager for Prime Computer.

A strong advocate of New Zealand's role in the Pacific Basin, Gyson has been deeply involved in the activities of the Pacific Basin Economic Council, particularly the promotion of a Pacific Information Network System.

He sees this as using computer-based information to assist Pacific countries in their mutual trade and co-operation, as well as assisting them to regulate their own economic affairs.

Why choose Prime?

"It is an up-market high-class machine."

Editor swaps credit card magazines

by Lindsey Dawson

SHORTLAND Publications, an NZ News subsidiary, which has been publishing the Diners Club magazine, *Signature*, since it was founded about six years ago, has lost the contract to Parnell Publishing Ltd.

The glossy magazine, circulated to 50,000 Diners Club members will be edited by Sandra McKechnie, who has resigned from editorship of the American Express magazine, *Insight*.

Insight is put out by Richards Publishing. A new editor for *Insight* is yet to be appointed.

The two magazines are both upmarket publications designed to appeal to free-spending cardholders. McKechnie said that *Signature* would become "more of club magazine which will reflect the activities of its members."

Dairy Board moves into ice cream market

by Warren Berryman

THE Dairy Board has taken an equity interest in the country's second biggest ice cream producer.

The move is a major step in the Dairy Board's cow-to-consumer vertical integration following on from its staking a claim to the beverage market.

With a recently acquired 15 per cent interest in a new company, United Dairy Foods (NZ) Ltd (present capital $220,000), the Dairy Board has joined forces with Auckland's Taylor Bond Ltd, maker of New American ice cream and Invercargill's Millar-Lange, maker of Manda Ice Cream.

United Dairy Foods, owned 15 per cent by the Dairy Board, 34 per cent by Millar-Lange, and 51 per cent by Taylor Bond, bought the Tokanuiu dairy factory from the Manawatu Dairy Co-op.

United Dairy Foods will install new plant in this factory and start making ice cream and frozen desserts in September.

First introduced in 1944 to cater to American troops in a Newmarket ice cream parlor, New American ice cream has grown under Taylor Bond management to rival General Foods' Tip Top.

Taylor Bond's manager, Alec Brown, said demand for this pure fresh cream ice cream had grown so fast the company was having difficulty keeping up. Demand in the South was so great it had been starving the Auckland market, he said.

With dairy supplies from the Manawatu co-op and a factory in Tokanuru, the company can cut transport costs and supply the region with New American and Manda ice creams. Millar-Lange, with a base in Invercargill, can supply the South Island with both products.

Dairy Board manager Bernie Knowles, who has been appointed to the United Dairy Foods board, said the Dairy Board's prime interest lay in exports, not the domestic market.

Initial export markets lay in the Pacific Islands, Knowles said. But the end game lay in licensing plants to make the products offshore — downstream processing tied in with supply.

The tie-in with an ice cream company provides the Dairy Board with a bigger basket of goods to sell to existing export markets. As Knowles put it: "If it comes from a cow, get it from us."

Editorial

UNCLE Sam's new man in New Zealand, H Monroe Browne, has arrrived to take up his post as ambassador at a time when our foreign policymakers are preoccupied with the ramifications of our fondness for rugby. If he's a fan for Superbowl, perhaps he'll understand that the game is what matters most in this neck of the international woods.

By and large, Ambassador Browne will find that relations between the two countries are in a tidy state.

The threat posed by America's overproduction of butter,for example, had all but been wrapped up as an issue of contention before he even arrived.

There is a US surplus of almost 200,000 tonnes of the stuff, by all accounts, in a world seemingly over-supplied and in which we have had to do some hard negotiating with the EEC to secure a 94,000-tonne quota for this year and 92,000 tonnes for next. Having achieved that, our Dairy Board was nevertheless keen to take a significant slice of the American surplus — some 100,000 tonnes.

On the surface, it looks like a horrendous exercise of shipping coals to Newcastle, but it makes sense. The United States is not normally a butter exporter, and its disposal of part of that much butter — 36 per cent of the total butter trade last year — would be even more horrendous to our dairy interests.

Under the scheme worked out with the Americans, we will buy the butter below the world price, then be in a position to conduct a "managed disposal" of it, which would have a less dislocating effect on the market than if the Americans sold directly to world brokers under a tender system.

As Overseas Trade Minister Brian Talboys explained, it makes commercial sense: "The Dairy Board wants to preserve a degree of stability in the world market and to preserve prices."

Certainly, the deal has generated little controversy in this country — although it seems to have come under fire in the United States when the Soviet Union looked a likely market for our Dairy Board.

Much merriment was caused at a Washington press conference which learned that Prime Minister Rob Muldoon had discussed casein with President Reagan. It is no laughing matter here. And the fact is that we remain threatened by American import restrictions on casein (our second largest export to the United States, after beef, with sales of $76 million last year) in spite of a generally favourable report on the issue released in June by the American Department of Agriculture and the Reagan Administration's sympathetic stance.

The report rejected American dairy farmers' claims that imported casein harmed the domestic dairy industry and said import restrictions would increase inflation by boosting food prices while offering no substantial savings in the Government's big spending on its dairy price support scheme. But it was only a discussion paper and our casein imports have been under strong attack from congressmen claiming they contribute to another United States stockpile — about 281,000 tonnes of milk powder.

And don't forget that our dairy industry was advised by the Americans earlier this year to look harder for alternative casein markets or switch some of its production to other products.

Then there are our lamb exports of more than $31 million a year which have been under threat (or at least the 30 per cent of them which go in the form of processed cuts).

Our Government's attempts to head off a potentially damaging high rate of duty have centred on reaching an agreement with the Reagan Administration on the subsidies code of GATT. We have not signed the code, which allows signatory nations to impose countervailing duties on one another's products only if export subsidies are found to "materially injure" a domestic industry, and interpretations and practices under the code have been in dispute between the two countries for some time.

But the news last month looked promising, when two American officials flew here to try to conclude final negotiations (the result of a Talboys flying visit to Washington from the UN conference on Cambodia). The American officials hoped to work out a formula under which we could sign the subsidies code of GATT, which would halt the pressure by American sheep farmers to secure higher import duties on our lamb sales.

A more thorny issue involves our participation in the Sinai peacekeeping force, which has implications for our trade prospects in another part of the world, the Middle East. Our lamb trade, particularly with Iran and Iraq, must be a key consideration, and we would do well to treat sceptically American assurances that, according to their intelligence, our participation in the peace force they are sponsoring would not be regarded unfavourably by Arab countries.

Nor should we accept the argument that we have an even bigger stake in preserving peace in the Middle East now that the region has become our biggest trading customer for lamb (our sales to Iran and Iraq, for example, have blossomed despite the war between the two).

The risks of going along with Washington's proposals are too great in a region as politically volatile as the Middle East, where American activities generally tend to be viewed with suspicion if not outright hostility. And we should certainly not feel bound by an Anzus treaty whose focus of defence concern is the Pacific.

So welcome to New Zealand, Mr Ambassador. Just as soon as we have sent the Springboks home and tidied up a few problems which their presence here has generated among our old mates in the Commonwealth, you will find we are willing to talk business.

More important, you will find — as our Prime Minister has expressed it — that our foreign policy is trade. And that may make us just a bit chary of taking on law and order problems (other than domestic ones) such as those you propose for us in keeping Arabs and Israelis apart in a region where business, for us, is booming without our responding to a call to arms.

Bob E.

Without word of a lie

Administrative lapse

THE Path to Reform is the title of an Institute of Public Administration convention in Wellington, scheduled for late August (we think), but the path to the hotels could be a little more difficult.

The programme with the registration form says the dates for the conference are Monday August 24 to Wednesday August 26. But the brochure says hotel accommodation is available from Wednesday August 24 to Friday August 26.

On consulting a calendar, we find that August 24 is, in fact, a Monday . . . but does that mean the convention starts on the Monday . . . but accommodation is available only from Wednesday or . . .

Making money work. . .

NEVER one to miss an opportunity, is our Prime Minister. Rob Muldoon opened General Finance's new Featherston Street, Wellington office building last Monday, and dished out the expected warning to the financiers present at the function to keep their interest rates down.

But as he expressed the desire for the financiers to be "responsive to government policy" he interrupted himself: "I notice the governor of the Reserve Bank standing over there smiling."

And with nary a pause he fixed the financiers with the customary gaze and added: "Of course, in New Zealand the governor of the Reserve Bank only has to smile to the financial institutions, and it all happens."

The financiers laughed nervously.

This time, a kick-off

PRIME Minister Rob Muldoon will open the 1981 general election campaign just along the street from the Battle of Rugby Park, Hamilton.

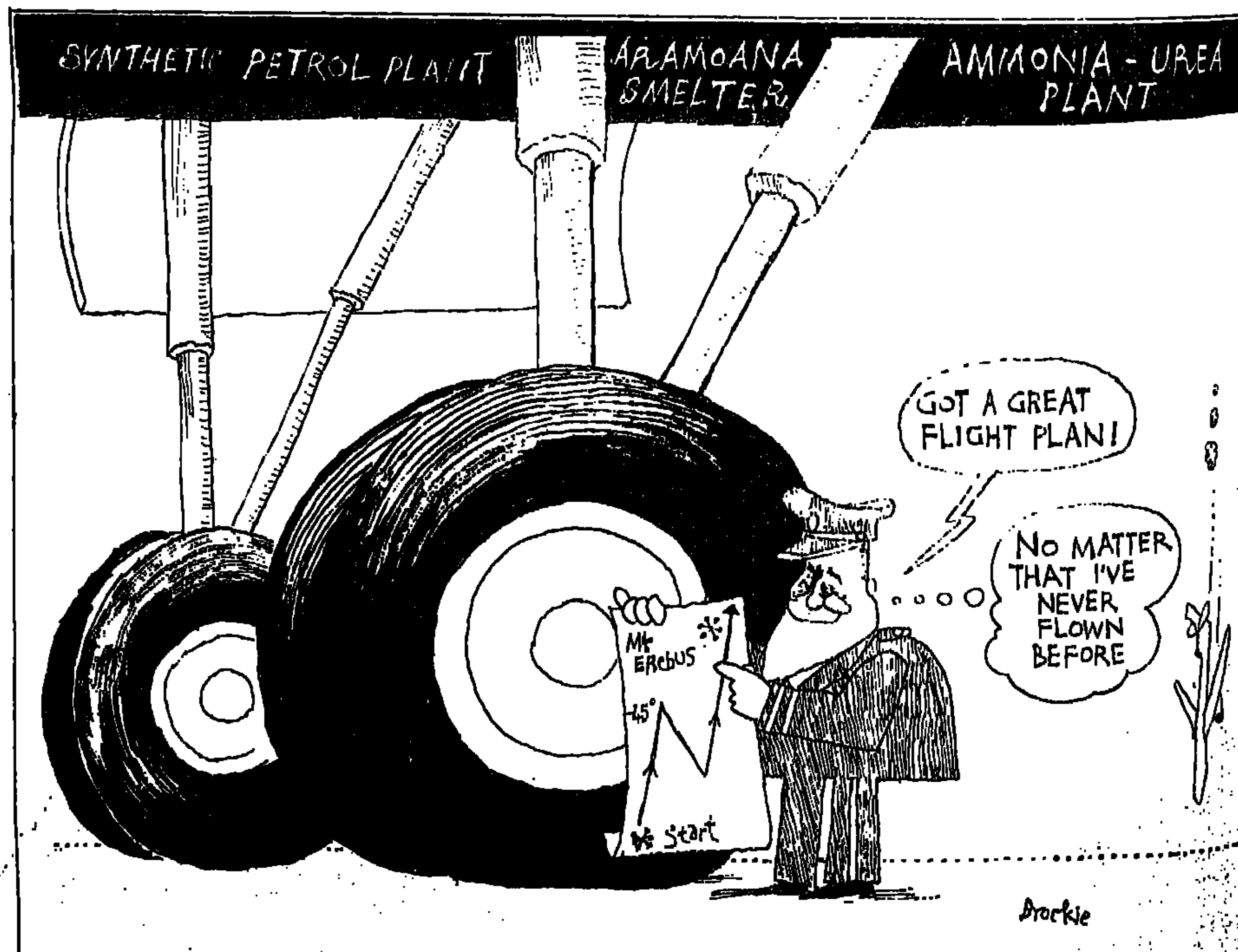
Reliable National Party sources say he is scheduled to start in the Founders Theatre on Monday, November 2.

The Founders, Hamilton's nearest approach to a town hall, is down the road from where hundreds of anti-tourists ripped down the Rugby Park fence and poured through to occupy the centre of the No 1 ground for more than an hour before the Waikato-South Africa match was abandoned. Park and theatre are both on a narrow green belt which separates the inner suburbs of Frankton and Whitiora.

If he wishes to initiate a law and order campaign, Muldoon has an ideal location.

A November 2 start almost certainly means a November 28 polling day. This would keep the tradition of having general elections on the last Saturday in November.

Brockie's view



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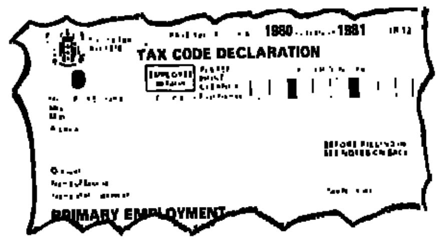
Tax reform and the burden of tax

by Anthony Sage



WITH his abrupt formation of a task force to consider and to report in short order on the possibilities for tax reform, the Prime Minister has at last got the Government on to that particular bandwagon. Until now he has consistently rejected suggestions that there is any need to apply his talents to this subject and it is clear his heart is not really in it.

While the annual Budget of income and expenditure is meant to be a serious document, we have long been accustomed in an election-year to it being highly tuned to the re-election prospects of the Government of the day. That this year's lacklustre Budget did not contain a few alluring references to the prospect of tax reform demonstrates just how out of touch the Government is with the country's mood and needs.

One could, of course, suggest that because for practical purposes we have a one-man-band for the Government, it is a pity its sojourns in the country during the northern summer are so infrequent.

When such an eminent man of goodwill as Lew Ross draws attention to a problem, it behoves us all to listen. Anything of which the Prime Minister does not approve earns at least the pejorative use of the word "curious" and such was the fate of Ross's recent restrained statement on the need for tax reform.

In the last 12 months the rumblings have surfaced in a number of seminars on tax reform up and down the country and the Government has long been on notice of the part the tax structure is playing in distortion of the economy.

The irony is that the principal effect of what is talked about as tax reform will be to divert attention from the real necessity, which is a reduction of Government spending to enable taxation to be reduced. If the Government is so ill-tuned to the electorate that it has only cottoned on to tax reform as an election gimmick at this late stage, then who needs convincing that the prospects for tax reduction are zero?

As Bob Jones says of tax reduction: "one merely does it." But such a shatteringly simple concept is beyond the grasp of the wordmongers on the Hill.

Close on 40 per cent of the working population depend now on some agency of local or central government for a living. Include those on the dole and relief work and 50 per cent is in sight.

The payrolls of the Public Service and its adjuncts, the trading corporations and all the quangos, are swollen beyond belief by unnecessary staff performing at best many totally pointless functions and at worst ones which could not be designed better to obstruct productivity.

One need not travel to the Soviet Union to comprehend the waste of resources in the centrally planned and directed economy.

The whole system of government is so bloated as to be incapable of feedback to Cabinet which now requires a 50-person Prime Minister's Department to prize information out of it and generally to liaise between the departments and Cabinet and to pay outside consultants to perform tasks which should properly be done by the departments themselves.

Moderation in public expenditure has gone out of the window. Every agency of government is in the subsidy business.

Some of New Zealand's largest companies are dependant in great part on Government subsidies for their profits. Each month more tribunals, committees and commissions are established to perform functions either in pursuance of political objectives or properly those of some department. The latest — and a typical example of this — is this task force on tax reform itself.

We run an airline for its employees and ships for the seamen. We have a $10 million plus programme so that the Prime Minister will no longer suffer the indignity of flying to meetings around the Pacific in turbo-prop aircraft when all his Third World confreres do so by pure jet.

Government and its agencies are now the pace-setters to the productive sector on salaries and the magnificence of their unfunded inflation-proof superannuation is unthinkable out in the real world. The taxpayer is just a gigantic money-cow.

What a pity some long-sighted statesman did not tack a clause on to the 1928 Statute of Westminster disenfranchising those on the public payroll. How different the country would be today.

Productivity is static if not declining. Despite taxation at a level which drains the life-blood of the economy, the Government will spend this fiscal year at least $700 more for every man woman and babe-in-arms than it gets in revenue.

Such awesome disregard of elementary prudence in financial matters prompts the suggestion that the bold front, the confidence, conceal in fact a total inability to cope. Is not the situation that in the matter of Government spending we are in the red and totally out of control?

Tax reform will not remedy that. Tinkering with the proportions of income tax gained from companies and individuals or with the proportion of total revenue obtained from direct and indirect taxes will not affect the rate at which we waste our substance.

The pressure is on for reduction in rates of personal income tax. While there are many alternatives, a flat rate of personal tax, capital profits and assets taxes, tax on expenditure rather than income and a negative income tax in substitution for the elaborate income transfer mechanism of social security benefits and universal superannuation (to name a few), the inevitable outcome will be a value-added tax.

The Minister of Finance got away for years — from as far back as when he was Associate Minister of Finance — with the pretence that in increasing indirect taxes he was implementing the 1967 recommendations of the Ross Committee on Taxation to substitute indirect taxes for direct taxes and this one is good for another run. Superficial downwards adjustment of rates of personal income tax soon to be vitiated by inflation can be accompanied by a more than compensatory VAT.

The total tax take will be able to be increased.

The only effect of "tax reform" will be, therefore, the same as that of the introduction of PAYE — an easing of the pain to the individual of the act of tax collection and diminution of his ire. If income tax were still collected by annual assessment, present levels of taxation would have been impossible of attainment and Government would have had to cut its coat to suit its cloth years ago.

Innovation in the field of tax reform would be an unreal expectation. While — or perhaps because — it is a bureaucrat's picnic, we are sitters for a VAT. All the reformers will have achieved is a further period of years for the Government of relief from the necessity finally to face up to the most pressing and vital necessity of all in relation to taxation that is a quantum reduction in spending.

The stock political response to such a profound suggestion is that the continuance of existing wasteful expenditures and the initiation of new ones are impositions on Government by pressure groups in the community, but that is the hoariest of canards.

The billion-dollar bill the taxpayer is getting for the power stations to supply the second aluminium smelter results solely from a Government initiative.

The universal superannuation scheme was not the work of pressure groups but the most monstrous and blatant election bribe since the foundation of the colony.

Who recalls outside pressure for indexation of parliamentarians' salaries and tax-free allowances, and our ever-increasing generosity to them on fringe benefits?

Who twisted the Prime Minister's arm on those millions for Blue Kennedy's meat workers to persuade them to get on with the job?

Certainly there are continual pressures for Government spending but there is always the alternative of answering "no!" Government makes the rules and when restraint in use of public money is clearly no longer fashionable, cynical competition for a share is inevitable.

When we overcome our economic death-wish and demand a release of Government's stranglehold on the country's resources and true tax reform by way of a reduction in Government spending and in taxation, perhaps there can be some growth instead of a continued relentless decline down the ladder of prosperity.

Anthony D Sage is an Auckland chartered accountant.

Politics

British Columbia . . . the Socred version

Richard Hockey, treasurer of the BC Young Socreds and president of the Maillardville-Coquitlam Social Credit constituency association, replies to an NBR article.

AS a British Columbia resident visiting New Zealand I have been somewhat surprised, if not a little delighted, at the interest people here take in BC affairs. There have been many articles and commentaries written here on BC. Some are of good quality; others have been, to an extent, distortions of the real economic situation over there. Such an article appeared in the June 1 issue of *National Business Review*.

The article was well written but contained a number of inaccuracies on BC history and current economic and political trends.

The author was correct in noting that Alberta was the first province in Canada to elect a Social Credit government. Contrary to his statement, though, the conditions leading to the election of Social Credit under William Aberhart in Alberta are very parallel to those which prevailed in British Columbia nearly 20 years later when a Social Credit government was elected there.

During the early 1930s Alberta was governed by the UFA (United Farmers of Alberta), a coalition of free enterprise agrarian reformers who formed their Party as an alternative to the socialist Co-operative Commonwealth Federation which was sweeping neighbouring Saskatchewan.

The UFA was bound by traditional concepts of finance. It felt it could "spend its way out of" the great depression by borrowing money for massive public works.

Alberta, however, being an agricultural province, found itself with foreign debts it could not manage.

By the mid-1930s, Alberta was "technically bankrupt" and faced having its financial affairs regulated by an appointed receiver from the Bank of Canada. It was with this background that the Albertan voters began to look for an alternative.

The Social Credit League of Alberta offered what they were looking for — economic expansion which would benefit the people, not the international banking system.

As a provincial Premier, William Aberhart and his successors never could enact the full scope of Social Credit reforms; but, they did eliminate the Albertan debt and they practised a policy of only borrowing money for projects that would pay off the debt as an investment after which the project and its earnings became the property of the people of Alberta.

This was certainly the philosophy employed in the development of Alberta's oil resources when they were discovered in the late 1940s. Today the revenues from these resources are placed in the Alberta Heritage Fund from which they will be invested back into Albertan development or into development elsewhere in Canada or overseas to earn additional revenues.

The economic concept of this fund and the debt-free budget policy was never tampered with after Social Credit left power in 1971. Today the fund has assets of more than $5 billion and it is still growing.

A similar situation to that in Albera emerged in British Columbia in the early 1950s. During the 1940s the Liberal and Conservative Parties formed the coalition government, agains as a "free enterprise" alternative to the socialist labour party, the CCF. This seems to have confused the author of the article mentioned earlier.

The coalition, after World War II, faced with a "post-war slump" in the economy when the war industries shut down, again thought it could "spend its way to prosperity." It, too, was trapped by the notion that an economy can get moving again by heavy Government spending. The result was the same — heavy taxation and uncontrollable debts crippling the provincial economy.

The British Columbia Social Credit League came into existence in 1948. It was started by Albertans who had come to work in BC during World War II and settled there after the war. The Social Credit ideas soon gained support all over BC as voters pondered the problem of economic stagnation and debt.

People in BC were looking for an alternative to socialism as a choice from the status quo.

By 1951 the BC Social Credit League had gained political support when two coalition back-benchers, fed up with the lack of direction and internal squabbling of the Government, crossed the floor of the Legislature to sit as Social Crediters. They were W A C Bennett and Tilly Rolston.

In January 1952 the coalition broke up and later that year it disappeared from BC politics forever when a Social Credit Government was elected. The accomplishments of this Government are historic records; the provincial debt of $220 million was paid out in seven years.

In the 1950s and 1960s British Columbia became the economic leader in North America. Many public works such as highways, power dams, hospitals, ferries etc. were built as well but this time without having to borrow money which never could be paid back. W A C Bennett left power with a $250 million surplus in the provincial treasury.

British Columbia in 1972 was still among the fastest-growing areas in North America. But people in BC seemed to take this for granted. They felt the prosperity would go on forever no matter who was in power.

With this background the "handout" promises of Dave Barrett and his New Democrat Party looked attractive.

Barrett did not really say how his promises would be paid for other than that there was lots of money in the BC economy.

After Barrett achieved office he carried out his spending programmes and tried to pay for them by taxing business in the province out of existence. Mining and forestry were brought to a standstill by royalty demands from the Government. When royalties dropped due to business leaving, the Government met its shortfall by borrowing on the international money markets.

By December 1975 the $250 million surplus had been turned into a $500 million debt according to the Clarkson-Gordon Report of February 1976. This report was commissioned by the Social Credit Government elected in December 1975 to find out the true state of the BC economy.

This report also documented widespread incompetence; government and ministries had overspent their budgets by as much as $100 million.

The Barrett Government was a disaster of mismanagement, ballooning bureaucracy and Government regulation. As a result the voters of BC put an end to the socialist experiment and returned Social Credit.

The measures to clean up the mess and pay out the debts were tough! Bill (W R) Bennett (son of W A C Bennett), had no honeymoon period. People complained about the harsh measures but most realised the job had to be done if British Columbia was to prosper again.

As a result the NDP thought that with a few more promises of goodies it could return to power in the May 1979 General Election. It and the pollsters were proven wrong when the Bennett Government secured re-election.

Today the BC economy is growing as it never has before. Further, despite opinion polls forecasting dwindling support, the Social Credit Party won a victory in a critical by-election held in Kamloops on May 14, 1981. This by-election had been widely conceded to the New Democratic Party.

British Columbia has the lowest unemployment rate in Canada at just over 6 per cent and the fastest per capita rate of job creation. With 12 per cent of Canada's population BC creates 21 per cent of Canada's new jobs; the per capita income is Canada's highest while inflation is, at 8 per cent, well below Canada's average of 14 per cent. BC's economy truly is booming with new business and corporations at their highest in the province with an inward migration of people from all over the world at over 100,000 a year.

As for the Progressive Conservative Party, which in the earlier article is referred to as a new force, it has not elected a Government in BC since 1952. In 1979 it polled 5.06 per cent of the popular vote and, excepting the 1972 general election, it has steadily declined in popularity since the fall of the coalition in 1952 and regardless of who it had to lead it.

Politics

The wee small voice of the National liberals

by Colin James

WOE betide any October colonel who had thoughts of a coup now. He'd not get much sympathy from the National Party.

The Prime Minister is back on top of the heap. The liberals are in retreat.

At least, that was how things were at the conference a weekend ago. The party was in the mood again to be convinced its leader was back in election-winning form.

It was just a bit like 1975 when the party first discovered, after early misgivings, that his instinct for the jugular and uncanny sense of the gut feelings of middle New Zealand could win elections from impossible positions. When he won the election that year the party was enraptured.

At the time it seemed it had found a permanent power machine. All that was needed was to keep him on a short leash between elections while letting him loose at election time and the real National Party could govern forever.

Unfortunately for effete Nationalists, the Prime Minister is not in the habit of being deferential to anyone. He did things his way.

That included nearly losing the 1978 election. Since then the party and the Prime Minister have circled warily around each other, the party trying to attach the leash and the Prime Minister trying to maintain his freedom of action, making as few and as small concessions as possible.

Party exasperation peaked after the East Coast Bays by-election. But since then relations have been improving, albeit bumpily.

One of the down bumps was his successful championing of Duncan MacIntyre for the deputy prime ministership, which met with widespread disapproval in the party.

An upward bump was the Mangere pickets dispute in February when union hotheads got out on a limb, gave the Government the opportunity to cut them down and appear to be standing firm against union unreason and on the side of the angels in the subsequent Tania Harris march.

Less spectacular has been the Prime Minister's gradually growing enthusiasm for the growth strategy.

"Growth" has been a central theme of party strategists' plans for three years or more. Since 1979 and the advent of Bill Birch to the energy and national development ministries, it has taken a strongly energy-based tack.

"Growth" is safe neutral ground in the party.

There was much outcry in 1979 about the need to get back to party philosophical basics: free enterprise, competition, less state activity and so on.

One problem with that is that it means different things to different people, because different people emphasise different bits of it.

A free enterpriser, wanting the state out of the marketplace altogether, may contemplate the inevitable subsequent rise of the Fletcher Challenges with equanimity; someone putting competition highest would abhor the inevitable reduction of competition such agglomerations bring.

Nevertheless, there was a general feeling that the frontiers of the state had to be rolled back and more head given to enterprise. This feeling clashed with the cautious interventionist bent of the Prime Minister.

Some middle ground has been found on this philosophical question since the Prime Minister began in 1979 to introduce minor liberalisation in the economy and in 1980 began to intone some of the "more market" rhetoric.

But underneath there is still deep suspicion among party activists that he is really with them. They may, here and there, be more willing to believe he can be pushed increasingly in the direction they want, but that is a long way from being able enthusiastically to follow a trail-blazer.

"Growth" is a different matter. Party activists across the board are in favour of it.

There is a quibble or two about the place for conservation (as former Young Nationals chairman and current Waitakere candidate Martin Gummer voiced at the conference), but there is profound agreement about the need for growth and the particular big-project strategy devised to achieve it.

And for the past six or nine months the Prime Minister has been gradually firming up his own support for it.

At the May party divisional conferences, he pushed it to delegates with fervour. At the full conference he hammered it as the central message of the election.

That was point one in his favour at the conference, a point reinforced starkly to delegates when they contrasted the dull, impactless presentation of the growth strategy by the likes of Birch or, worse, MacIntyre, with the lucid, highly simplified, words-of-one-syllable presentation by the Prime Minister.

As a slogan "growth strategy" produces about as much electoral reverberation as hitting a piece of sponge rubber. So does "National for growth" — especially upside down as it was on balloons flown at the conference.

So there are shades of 1975: delegates, needing a drum to beat, are happy to settle for the Prime Minister to win them the election.

And then . . .? Shades of 1975 assumptions that he can be leashed?

Yes. Up and down the country little knots of the 1980s National Party hope 1980s MPs will not only leash him in 1982, but crack the more market whip. Alternatively they plot how to get him replaced with someone more to their liking.

It is tempting after the conference to dismiss them as no-account dreamers.

For at this conference it was as more than chief salesman delegates roared their approval for thier leader. They were glad to have back in their midst the suburban populist, the master-miner of middle New Zealand's muddy ore.

Three times he beat the drums and hit the cymbals of law and order, left-wing conspiracy and the victimisation of little New Zealand by the black nations of the Commonwealth ("like a little boy who pulls the wings off a butterfly and then cries because it won't fly", he gratuitously insulted them to the delight of the throng).

These punchy, pungent, vengeful orations fell like reveille calls on the ears of delegates — benumbed by a deadeningly overorganised conference in which their main function was to cheer on the MPs instead of, as is normal, telling them what they want; besieged twice by anti-tour protesters, cocooned by hundreds of police and double-checked by security officials; and, worst, deprived of two evening functions by a timorous top table that seemed to be searching for a political point when most would rather have toughed it out with the protesters.

Unable to be their normal, fun-loving conferencing selves, delegates showered rapturous applause on the Prime Minister's skilful articulation of their fears, frustrations and simple anger — applause at no time more sustained and spontaneous than when he voiced their antipathy towards the news media.

Amid this bathos of the bunker, grim liberals bit their lips, consoling themselves with observations that even though the Prime Minister was striking a right-wing chord or two with delegates, he still did not really carry them away as he did in 1975.

In the end they counter-attacked on the tour. But is was a faltering, almost apologetic effort, underlining how weak the liberal voice has become.

Those two veterans of the liberal cause, Julian Watts and John Schnellenberg, who once rode into battle on chariots, trumpets blaring, put in a late remit.

But this time they hobbled in on wheelchairs, piccolos squeaking.

Their remit did not even include endorsement for the Government's official opposition to the tour and commitment to persuading sports bodies against contact with South Africa.

President George Chapman refused even to entertain an amendment to that effect, leaving untested the possibility that the conference might have followed Maori candidate Willard Amaru into outright support for the tour.

No doubt reflecting the general mood, Chapman this conference seemed much closer to the Prime Minister than for a long time. (Was that a slight falter in his voice when he congratulated Wellington mayor Sir Michael Fowler on his knighthood?)

Even liberal Jim McLay was in line using a speech on individual freedom to extol the

Is this liberal eclipse a passing phase, as ephemeral as the tour?

To some extent, yes. But it is at least partly reflecting a deeper current.

Last year I wrote here of a developing conservative or right-wing tendency in the electorate on social and moral issues — a natural concomitant of a swing towards non-intervention in the economy, since there are few true libertarians.

The National Party, (temporarily?) at one with its leader, seems to have picked up this trend and be responding to it.

Certainly the Young Nationals, beacons of the future, are going rapidly down that route. Retiring chairman and Waikato candidate Simon Upton said a "right-wing ideological prairie fire" seemed to be sweeping their meeting during the conference.

Will the news media be blamed for/credited with that too?

Letters

Costing out Aramoana

A FRONT page article entitled "Hidden costs spiral", indicates that the cost to New Zealand of the proposed aluminium smelter for Aramoana is "likely to be $2.5 billion — three times the cost put abroad by the developers and the Government (*NBR*, July 13)."

Such a statement required immediate explanation in context and should not be left with its innuendo that this company and the Government have "hidden" costs by not including certain figures in the "price" of the smelter.

The capital cost of the smelter which the consortium and the Government have quoted (in 1980 NZ dollars) is $650 million. It has been freely acknowledged that inflation could take that cost in present-day dollars to more than $750 million.

As is normal with any project, the capital cost of electricity generating plant has not been included in these figures. The smelter will be drawing its power from the national grid and not from a specific dam.

The hydro dams on the Clutha which contribute the most significant increase to the system's total capacity in the late 1980s were planned long before the smelter was proposed and will provide power for continued development into the 1990s.

In this regard, it should be noted that the construction of the dam at Clyde commenced well before the smelter and other energy-intensive projects were proposed.

In practice, the recently completed stations and those to be commissioned in the next few years on the Upper Waitaki River will provide a significant proportion of the energy required by the smelter.

However, in a separate exercise carried out by a Government inter-departmental committee, the foreign exchange costs of generating the electricity required for the smelter have been taken into account when calculating the benefit of the proposed smelter to the nation as a whole.

This investigation showed that (in mid-1980 New Zealand dollars) the smelter project would generate for the country as a whole a net foreign exchange gain of $150 million a year. This figure took into account all raw materials and finance costs plus the foreign exchange costs of electricity generation.

The *cost* of dams does not represent the *price* of the project but rather the *value* of resources being utilised by it. It would be interesting to know if your newspaper has been successful in its quest for what New Zealand could do to earn overseas funds from the electricity it is capable of generating if the smelter was not built to convert electricity into export dollars.

It is completely misleading to suggest that the 'price' of the project is a lump sum of $2.5 billion comprising the cost of the smelter (your figure was $796 million) plus $1500 million additional cost of electricity and some other costs not clear from your article.

No attempt has been made by this company to keep "hidden" any of the costs of its proposed smelter. These costs in mid-1980 dollars have already been published and not been "hidden" or kept secret.

It would be possible to update our feasibility study to arrive at a capital cost in today's dollars but we see no benefit in continually repeating such an exercise.

Updating or predicting the cost of major projects is not an easy exercise as it requires assumptions as to the rate of escalation in various countries, whether particular items of plant will be sourced from certain countries, the likely rate of exchange at the time of purchase, cost of capital and so on.

For example, do you assume that the rates of inflation over the last year quoted us: U.S.A. (9.8 per cent), Japan (5.4 per cent), Switzerland (5.9 per cent) and New Zealand (15.2 per cent) will continue for the six years that it will take to build the smelter?

Governments and developers must assess such likely rates and possible changes in costs and income in considering the merits of any project. To date various analyses of the second aluminium smelter have satisfied the nation's and the company's investment criteria.

J G Smith
General Manager
South Pacific Aluminium

SPACE precluded full publication of our calculations, but they were based on what we believe to be sound forward budgeting methods.

The $796 million figure we used was the capital cost quoted by Finance Minister Rob Muldoon in Parliament. (And Mr Smith acknowledges inflation could take the cost to more than $750 million.) At the same time, Mr Muldoon released for the first time details of foreign borrowing, interest terms, and repayment schedules. Our analysis was based on these figures.

Agreed, we made some assumptions in our calculations (because detailed figures remained unavailable). In essence, we assumed that interest would remain at 15 per cent throughout the period (thus maintaining our calculations in present-day dollars); we made assumptions about the spread of the capital cost over the construction period; and we assumed capital repayment (said by Mr Muldoon to start after 1990) to be spread over five years.

We believe our figures and assumptions were reasonably based, but agree that long-term predictions are difficult. For that reason we did not take into account foreign exchange fluctuations, cost and time overruns, equity borrowing by smelter partners (local content capital cost: $318 million), or working capital requirements.

Mr Smith insists that the cost of building the electricity capability should not be included in the total cost of the project. The hydro dams, he says, were planned well before the smelter for the national grid. But as he notes: "In practice, the recently-completed stations and those to be commissioned in the next few years on the Upper Waitaki River will provide a significant proportion of the energy required by the smelter."

The cost of the electricity in relationship to the smelter is a matter of interpretation; we believe our interpretation is tenable.

Energy Minister Bill Birch has indicated (Otago Daily Times, June 30) that the additional capital works cost to generate power for Aramoana and Tiwai Point is $1500 million which will be initially financed from borrowing. That figure includes interest and capital repayments.

Our $900 million power-generation cost, which we have added to the final Aramoana price tag, stems from the fact that 60 per cent of the power will be used by the Aramoana project.

A number of suggested proposals from readers about alternative ways to use our resources have been published in NBR in recent months. — Editor

Another for Thorpy

MR Dunleavy, apologist for the New Zealand wine industry, can be relied on to react to just about anything written by Frank Thorpy. His latest effort (*NBR*, July 27) is no exception. In his efforts to refute Mr Thorpy's criticisms, Mr Dunleavy has set out very clearly some of the things which are wrong with the New Zealand wine industry, almost as if he thinks that if water is allowed in wine by Government regulation then who are we to criticise?

Any country which allows 5 per cent water in its "premium" wines and 20 per cent in its "everyday" wines cannot be very serious about exporting.

Consumers in the big wide world around us have the ridiculous notion that wine is made solely from grape juice! As for those poor people in Canada who bought 3627 litres of our sherry last year, let us hope that they got more than 60 per cent grape juice for their money. Perhaps Mr Dunleavy is right to protest about "denigration" by Mr Thorpy, but with percentages like that there is denigration enough already.

My own understanding of Mr Thorpy's submissions to the IDC is that he wanted more competition for New Zealand wines, not just to keep prices down but to provide quality standards in the middle range of wines. Making classed-growth clarets a little cheaper will not be of much interest to the ordinary wine drinker, but the improving access for the reasonably - priced wines of Australia, Spain, Portugal, Germany, and so on, would have provided some real competition for the bulk of New Zealand's wines.

Whoever it was that altered the IDC recommendations on imports (and Mr Dunleavy has denied the existence of a powerful wine "lobby"), they did a considerable disservice to the New Zealand consumer and probably the New Zealand wine industry as well.

It is people like Frank Thorpy who have helped to educate the public and as a consequence have raised the New Zealand wine industry from its "plonk" image of a few years back. His informed criticisms are of more use to consumers than are Mr Dunleavy's inevitable "knee-jerk" replies.

D W Kidd
Nelson

Economics

Interest rates set to soar — next year, that is

From Page 1

concerned about them, some distortions have occurred.

The institutions are traditionally big lenders in the fixed interest market, but they are largely out of the market because they believe rates are artificially low.

Current interest rates have led them to stick to short-term investments so they can be ready to take advantage of the predicted interest rate surge next year.

Another distortion is that industrial borrowers are having to pay rates which are higher than those of the finance companies — traditionally finance company debentures have had to outbid "safe" industrial issues because of the higher risk investors perceive in investing with a finance company.

The current liquid state of the money market has also taken its toll on the premium large depositors normally command.

At present large sums — several hundred thousand — can attract 16.25 to 16.5 per cent for two to three years — but earlier this year the going rate was much higher — 17 per cent.

According to one money market advisor, "the market has simply come to a halt, the real distortion is the lull in the market."

The advisor told *NBR*: "I don't think the Prime Minister's comments on finance company interest rates has had any effect — the rates they are paying are very much in line with what they would be paying in any case."

June, July and August are traditionally the best period for finance company funding "and at present the inflows appear to be matching what's going out. But rather than ease rates the finance companies have retained them at this level to build up their liquidity as a buffer against next year's expected rise in interest rates."

He predicted inflation next year would increase and liquidity would have to be tightened.

"Some economists are talking of a 20 per cent inflation rate, which must lead interest rates up to 18 per cent — if finance companies want to increase their lending," he said.

"That will mean Government stock rates will have to come up to 15 or 16 per cent.

"But at the moment the market has come to a halt because the institutions are very reluctant to invest. They are staying short in the bills market in order to get the higher rates next year. The market as a whole seems to believe the Government's attempt to keep rates down is very much a short-term situation."

Current rates for the major finance companies provide a 14.5 per cent for one-year terms, 15 to 15.5 per cent for two years and between 15.25 and 15.75 per cent for the three-year rate, which is the ideal money for the finance companies.

The five-year rate is between 15 per cent and 15.5 per cent. One finance company has reduced its rates, amid considerable speculation that it was a politically motivated move.

That is the BNZ Finance Co (chairman National Party president George Chapman). But market sources claim the BNZ is offering a lower 13.75 per cent one-year rate and a 15.25 per cent top rate — because it can afford to.

They point to the strong funding base the company enjoys through its use of BNZ branches, and its tight management, as reasons why it can afford to keep its rates below the average.

Industrial borrowers have had a very low profile on the market this year. Due partly to the fact that the major funding contributors for company debenture issues, the institutions, aren't interested in the current rates.

As a result several industrial borrowers have made private placements — and have paid the price. The going rate for a private placement is 16.5 per cent, although Wellington's Cable Price Downer recently made a $6 million institutional debenture placement at 16.25 per cent.

CPD was obviously quite happy with that deal. Chairman Bill Steele told a press conference last week the money had been used to repay offshore loans because the devaluation of the New Zealand dollar had posed too great an exchange risk.

And he predicted "interest rates in New Zealand can't remain at their present levels for very much longer — they have to rise early in 1982."

He said he would be interested to see how well the equity market coped with the current spate of cash issues, and felt that when the market ran out of cash, interest rates would have to rise to cope with the rising demand for industrial financing.

Steele told the conference "the policy should be that interest rates should be no less than the rate of inflation; this seems to be widely accepted overseas."

Another money market executive told *NBR* he thought it was quite correct to refer to "Muldoon's interest rate policy" because "at the moment we don't have any real monetary policies — it's just an interest rate policy and to change that major policy shifts may be required next year."

He believes the finance companies are not particularly troubled by government "advice" to hold rates down.

But there is one aspect of Muldoon's pressure on the finance houses that is intended to be deadly earnest.

The industry believes his major concern is the fast rate of expansion of the money supply — particularly credit growth — and that he is determined to get finance companies to direct funding into productive investment rather than a spending spree on consumer items.

Mining

New law could kill mining

by Ann Taylor

THE bill to amend the Mining Act 1971 could severely curtail, if not destroy, mining activity in this country.

While mineral explorers acknowledge the need to amend the current legislation they warn that if the bill is made law in its current state small local companies particularly would find the procedures prohibitively lengthy and costly.

NBR understands that the Mineral Exploration Association, a body which represents the mining industry, has suggested alternatives to the planning and consent procedures outlined in the bill in its submissions to the select committee.

The industry wants the process of application sped up for basic non-contentious prospecting applications. But it wants one that will satisfy environmental groups at the point where real mining activity starts.

They argue that 1 in 100 prospects discover a mine. When they are granted a prospecting licence over an area they have no idea where, or what scale the mine is going to be. It is, therefore, impossible for the miners or the environmental groups to be able to assess the impact at the stage.

The bill has forced a change in the miners' attitudes and they now concede that after a site has been prospected and a feasible mine site established there be full public scrutiny. They would stomach the risk that scrutiny went against them. An environmental assessment at the prospecting stage is therefore non-sensical.

Although the bill gives the appearance of a victory to the environmental groups, which have been particularly vocal in marginal National seats on the Coromandel peninsula, the miners argue that the legal process through which they would have to go are increasingly tortuous and complex.

The net effect would be to slow down the approval process — which is already slow with the in-tray at the mines division of the Ministry of Energy containing about 1000 applications.

The miners have estimated a period of 19 months as the average for the passage of a prospecting application and the granting of a licence — a period which will, they argue, run into years under the new legislation.

Miners estimate that their total expenditure has been about $20 million over the past 10 years. No mine has resulted from that exploration and they argue that if a minable area is found and established this year — the Amax site in Waihi being the most likely contender — then it will have cost the industry, as a whole, about $30 million.

In view of these costs it has not been feasible to mount a public relations campaign to counter the emotive appeal of the environmentalists. They argue the added costs of putting up sound economic arguments based on rational analysis against the popular appeal of the anti-mining lobby.

There is a fair amount of optimism in the industry that a mine will be established, probably on the Coromandel, but the full process of both application approvals and exploration has not yet been completed despite speculation that there is a billion dollars worth of gold in "them thar hills".

Planning tribunals have been given the right of final arbiter under the new legislation "in respect of any objections to the grant of mining privileges". The miners argue that if a major mining venture was established it would have to be "in the national interest" and by virtue of that it would be a political decision.

The Government, if it is sincere in its commitment to a mining industry will have to do something to change the bill before it is made law, miners argue. Therefore they do not want to see it rushed through by October 1, the date that the bill is scheduled to come into force.

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Sharemarket

Mystery buyers' identities remain under wraps

by Klaus Sorensen

EVEN Stock Exchange Association executive director Earle Stewart is forced to admit that trying to find out the identity of buyers of major parcels of shares in listed companies is a "fruitless exercise".

A number of major shareholding changes have taken place in listed public companies this year — and a disconcerting number of these have been carried out with something less than the highest principles of disclosure in mind.

There appear to be major new shareholders in companies like Hauraki Enterprises, Atlas Majestic and even the minnow of the tourist industry, Tourist Corporation of Fiji Holdings Ltd.

But the so-called "ordinary" shareholders are in the dark as to who their hefty bedmates are.

To an extent, the Securities Commission recommendation of a 5 per cent beneficial ownership trigger point will overcome much of the current mystery involved in the sharemarket — but only if the directors of the company, having received beneficial ownership disclosure of nominee buyers, then decide that the rest of the shareholders have a right to know.

Some recent shareholding changes suggest company directors are in no great hurry to keep their shareholders posted on changes which might affect the value of their investment — which would seem to be any director's primary duty.

The Stock Exchange Association is all for the 5 per cent beneficial disclosure recommendation produced by the Securities Commission — but Stewart's seeming exasperation about his chances of seeking information on the identity of buyers of significant shareholdings is well placed.

He told *NBR* last week the association does not have a general rule or a trigger point for making inquiries of company boards about the identity of big buyers.

He separates major transactions which take place over a period of months, from those which involve a single large parcel of shares or a major price fluctuation.

It is very difficult for the association to draw conclusions from prolonged and consistent buying interest in a share — after all, it may just reflect the increased interest by investors in general in the company concerned.

With sharp changes the association is prepared to make inquiries — and has done so in the past, according to Stewart.

But the problem is the time-lag between the broker reporting the sale of the shares and the receipt of the transfers for directors' perusal.

But sometimes it appears the directors are in the dark as much as anyone else.

In the space of two months a total of 35 per cent of the Hauraki Enterprises ordinary capital has changed hands.

It is fairly obvious that the sellers must be some of the controlling interests — due to the sheer size of the parcels — but there are no clues as to the buyers of some 1,360,000 shares (out of a capital of 3,871,228 shares).

And Hauraki shareholders expressed their interest in all the sudden activity in their shares at the annual meeting just over a week ago.

To a shareholder's question, chairman Peter Dew said there was no new "outside, terribly influential" body involved, as far as he knew.

He offered shareholders his belief that a number of the shares traded had changed hands more than once.

No doubt Dew was telling shareholders as much as he knew, but in the end shareholders would have left the meeting little the wiser.

A January 5 1981 list of Hauraki shareholders shows that the 20 largest shareholders conrolled 70 per cent of the shares, and that of that number nine shareholders held parcels of greater than 100,000 shares.

Most of these nine holders belong, in various ways, to the controlling Myers, Friedlander, and Bidwill interests.

Therefore, some of the larger parcels of shares reported sold in the last two months must have come from these interests, and judging by Dew's comment that there were no new outside shareholders, it is probably fair to hazard a guess that some of the controlling interests might have bought some of the shares traded.

But there is still a large area of uncertainty and this has given rise to various rumours.

The most popular was that NZ News Ltd — fresh from taking a 15 per cent interest in Wellington's Capital City Radio — was the buyer.

But NZ News managing director Neville Webber told *NBR* last week his company had not bought any shares, which leaves the second, and most plausible suggestion that the buying is coming from institutional interests.

But the Hauraki kerfuffle pales in importance next to the sale of a 66 per cent controlling interest in Tourist Corporation of Fiji Holdings Ltd to an undisclosed buyer.

UEB Industries sold the shares to a Hastings sharebroker's nominee company, and it would seem appropriate for Tourist Corp of Fiji Holdings Ltd directors to seek disclosure of the new major shareholder — if for no other reason than to find out who their new master is.

There is, after all, no reason why shareholders in this tiny company shouldn't receive the same level of information as that produced by Fletcher Challenge.

Communicating to shareholders is rapidly gaining in importance for major companies, and last week Cable Price Downer Ltd joined the list of companies which go just that little bit further in their disclosure.

Cable Price Downer directors have traditionally taken a very cautious approach towards disclosure.

But last week chairman Bill Steele held a press conference to release the annual report where he gave a good rundown on the company's prospects.

The company's low share price was a source of worry for CPD directors for years — particularly in relation to the company's high asset backing — but recently that has all changed.

Steele opened the press conference with the observation that his company's shares had hit $4.00 for the first time — "I never thought I'd live to see the day," he joked.

He explained that, while the merchandising division and the construction divisions were doing very well, the engineering division was being maintained on a breakeven basis in anticipation of work from the major projects.

He said his company had committed itself to maintaining its engineering division workforce at least until the end of the current financial year — "we are still waiting for the dawn."

In the meantime, the merchandising division was "going like a rocket" and was particularly enjoying the benefits of an upsurge in new car sales in recent months.

But there is one company which has really raised eyebrows with its disclosure.

Computer Consultants Ltd astonished a recent Society of Investment Analysts meeting with the intimacy of its disclosure, and a couple of weeks ago laid most of its turnover and earnings breakdowns, and budgeted expectations, on the table at the annual general meeting.

The company is conscious that the market does not really understand computer companies, and is anxious for shareholders and investors to understand the reasons for the dramatic increases in sales and profits which are expected.

Already first-quarter sales are up 72 per cent with the Australian division (already predicted to equal the local turnover by the mid 1980s) boosting its sales by 150 per cent to 22 per cent of total revenue.

But CCL strode ahead with its disclosure of quarterly profit performances for the past five years.

The figures highlight the fluctuations which can take place in computer company earnings on a quarterly basis, and they should help shareholders to better understand the peaks and the troughs.

The company's five-year average shows 19 per cent of profits were earned in the first half, 36 per cent in the second, 10 per cent in the third and 35 per cent in the fourth quarter — providing 55 per cent of earnings in the first half and 45 per cent in the second.

In the 1981 financial year the company departed from this norm with 22 per cent of profits in the first quarter, 48 per cent in the second and 15 per cent in each of the last two quarters to give 70 per cent of earnings in the first half and 30 per cent in the second.

However, the previous financial year's earnings showed a pattern closer to the five-year average with 51 per cent in the first half and 49 in the second.

CCL also provided the meeting with divisional breakdowns of earnings — complete with estimates for the current year.

In 1981 the CCL bureau computer activity contributed 57 per cent of earnings, hardware contributed 41 per cent, Australia 6 per cent, Fourth Estate 2 per cent and the traffic signals group Tessco minus 6

This year the company is expecting a significant broadening of the earnings base with the bureau contribution falling to 23 per cent, hardware stable at 41 per cent, Australia rocketing up to 22 per cent of earnings, Fourth Estate rising to 12 per cent and Tessco coming back into the black with a contribution of 2 per cent

Disclosure; the writer holds shares in Computer Consultants Ltd.

Finance

The business week

BRITISH Office Supplies: After tax profit for the March year was $198,882 (last year $172,800). A final dividend of 10 per cent was recommended. The AGM will be held on September 10.

Canterbury Frozen Meat Co Ltd: A cash and conversion offer of $1,750,000 is to be made to replace debentures maturing on August 31.

Dunlop New Zealand Ltd: Subject to an extra-ordinary meeting a cash issue of 1,624,000 ordinary shares at a premium of $2 will be made in the ratio of one for every four shares held.

Feltex Finance Ltd reported a 54 per cent increase in net profit to $404,000 for the year ended June 31.

Motor Traders Ltd: Directors say discussions are taking place which could affect the value of the company's shares. Directors will make a further statement and meanwhile recommend that shareholders do not sell.

Repco New Zealand Ltd: Audited after tax profit for year ended June 30 was $963,889 (last year $911,707). A dividend of 14 per cent (same as last year) is recommended. The AGM will be held October 22.

Skellerup Industries Ltd: Audited net profit March 31 year $5,316,618 (last year $6,174,097). It includes equity income in associated companies and a final dividend of 15 per cent is recommended.

Tourist Corporation of Fiji Holdings Ltd: Unaudited net loss for year ended March 31 $3563 (last year $1121).

Wilkins and Davies Ltd: A one-for-four bonus issue to ordinary shareholders will be made followed by a cash issue of ordinary shares to both ordinary and preference shareholders of one new ordinary $1 share for every three shares held, at a premium of $1.25 a share. The new shares will participate in dividends for the March 31 year.

Economic indicators

RESERVE Bank provisional figures for the money supply and credit aggregates show that during the June 1981 year the money supply (MI) grew by 14.8 per cent, while the more broadly defined money supply and liquid assets series (M3) rose by 15.9 per cent. Current estimates for the corresponding figures for the year to March 1981 were 13.6 per cent and 14.2 per cent and for the year to June 1980, 10.7 per cent and 16.9 per cent.

PERMITS authorising the construction of 1516 new houses and flats with a value of $62.6 million were issued in May, an increase of 9.1 per cent over May 1980, and an increase of 35.8 per cent in value. Of the 1516 units, 51 were authorised by central government, compared with 40 in May last year. The value of new dwelling permits was $552.4 million for the May year (last year $474.4 million, 1979 $494.8 million).

FURTHER results from the 1981 Census indicate the Northland statistical area with 6.7 per cent shows the greatest percentage increase in population. Next on the list are South Auckland-Bay of Plenty and Central Auckland statistical areas with 3.8 and 3.5 per cent resepectively. For the first time the Wellington and Canterbury statistical areas have registered a percentage loss (-1.2 per cent and -1.1 per cent).

Synthetic fuel scrutinised

THE synthetic fuels plant went under the scrutiny of a Taranaki Planning Tribunal last week — the second such hearing under the National Development Act.

Presiding, Judge Treadwell advised early on that the tribunal would not be used to eulogise or decry the merits of synthetic petrol. But, unlike the Petralgas methanol plant hearing, where the judge found that parties with a common interest had to cross-examine together, Treadwell will allow all individual parties to cross-examine. The Motonui site came in to question when the Ministry of Works indicated that it was not its preferred site. The Synthetic Fuels Corporation which will start evidence this week will have to demonstrate why that site should be used.

Depression for BMG

WHILE a depression is looming for the competitors in the International Computers business management game (BMG) careful attention to pricing and maximum marketing efforts are still managing to keep a degree of buoyancy in the overall market, BMG administrator Vaughan Chetwynd says.

At the halfway point in the second round the 100 teams competing have been warned that conditions are getting tougher but their own actions are staving off the inevitable downturn.

"Some have reacted by being very cautious in their attitude to buying plant while other teams have decided to spend their money and make hay while the sun shines. The cautious ones are paying off loans and general battening down the hatches," Chetwynd says.

Interest rates in the game are high but not unreasonable at the present but one factor which could have a disastrous effect on teams with large plants is that, when the depression arrives, they may have to sell off plant when the going gets tough in order to provide sufficient operating capital.

'That will be an expensive exercise since the going price for used plant is only 60 per cent of the purchase price. Large losses could be incurred.

Another factor contributing to the cash squeeze is an increasing demand for credit from customers and the level of overdue debtors is increasing sharply.

"At the halfway point the accumulated profits are generally in the range of from $5 million to $10 million but the round three results have shown unmistakable signs that the depression is here," Chetwynd says.

Stock Exchange weekly review

FOR WEEK FRIDAY JULY 31 TO THURSDAY AUGUST 6

	Last sale	Week's high	Week's low	Turnover
Airwork, 50c	125	125	125	300
6% pr	125	---	---	0
Ajax G K N	405	405	405	600
Alcan, 50c	170	170	167	3300
A H I	288	288	285	31600
Alliance, 50c	120	123	120	5500
12% conv pr	110	111	110	700
Allflex	142	142	132	16000
Allied Farmers	335	335	328	2200
12% conv pr	362	---	---	0
Alloy Steel	225	---	---	0
A M Bisley, 50c	230	240	230	3100
Ampol Pet, 50c	247	---	---	0
A Beaven	143	145	142	9100
11.5% conv pr	125	125	125	1000
16 con pref	140	140	140	2100
Andas Group	150	150	150	200
5-6.5% pr	121	---	---	0
12% conv pr	126	---	---	0
ANZ Banking Group	370	370	362	12400
A Wright	370	...	...	0
'A' 6-7.5% pr	80	...	...	0
'B' 5-6% pr	60	...	...	0
A Barnett	320	...	...	0
A Ellis	48	48	45	12900
Ashby Burgh	385	385	385	800
A B Cables	320	---	---	0
Atlas, 50c	47	48	46	297300
10% conv pr	52	53	50	1000
Auck Gas	280	280	280	2700
Aurora, 50c	220	222	220	8600
10% conv pr	280	---	---	0
14% conv nts	165	---	---	0
A C I	270	---	---	0
Autocrat Sanyo	280	280	275	1500
Ballie, 50c	83	83	83	600
Ballins, 50c	133	133	123	20300
11% conv pr	112	115	112	8500
Bank NSW	525	---	---	0
Beach Petr, 50c	445	---	---	0
Bendons	185	200	180	306000
Blog Harris, 50c	85	85	82	3500
B N Z Finance	405	405	405	1300
Bridgevale Mining	115	123	115	21800
Brierley, 50c	475	490	476	20600
16.75% spec pr	265	---	---	0
Bus, 50c	78	78	78	5800
B H P, 200c	2250	2250	2250	250
Brother, 50c	83	..	..	0
Bunting, 50c	165	165	160	1000
C P D	390	400	390	29950
10% conv pr	377	377	365	3800
C F M	325	325	325	1600
12% conv pr	220	225	220	800
Cant Flour	220			0
Cant Timber	345	345	335	7200
12% conv deb	375	---	---	0
Capital Radio, 25c	112	112	112	2700
Capital Life, 50c	115	---	---	0
Carbonic Ice	280	280	280	1900
Carter Holt	410	410	400	2850
CBA Finance, 50c	330	330	310	6700
CCL	295	300	295	14900
Ceramco	260	260	250	150600
12% conv pr	170	170	170	800
16% red spec pr	400	---	---	0
Chenery	300	300	300	65800
Ch'ch Gas	300	300	300	800
Ch'ch Press	375	378	375	38700
City Realties, 10c	47	47	47	3000
Clyde Group	110	110	110	1100
12% conv pr	110	110	105	600
Collingwood, 50c	55	55	55	100
13% conv pr	50	--	--	0
Col Motor	320	320	320	800
Colyer Watson	120	120	120	6200
Comalco, 50c	240	240	240	100
Command	170	170	170	2200
Con Metal, 50c	160	160	160	800
conv pr	200	200	200	3900
Con Minerals, 4c	19	20	16	172900
Cooks Wine	120	122	120	7500
Cory-Wright	250	---	---	0
12% conv pr	225	---	---	0
16.25% conv pr	200	---	---	0
Crown Consolidated	222	222	218	15500
11% conv pr	216	216	216	30500
C S R	945	---	---	0
Dalgety (NZ)	285	285	280	7800
Dalhoff & King, 50c	63	63	59	3500
Deanes	175	175	175	100
D I C	218	218	218	12000
12% conv pr	165	165	162	4100
Dingwall & Paulger	360	360	360	6800
D McI Wallace, 50c	94	95	92	17400
12% conv nts	75	75	75	400
11% nts '82	92	92	92	3000
Dom Brew, 50c	141	142	137	59900
5% pref	120	---	---	0
11% conv pr	88	88	88	4500
Donaghy's	300	305	300	5700
12% conv pr	350	350	350	100
D R G, 50c	110	---	---	0
Dunlop (NZ)	400	---	---	0
4.5% pr	55	---	---	0
Ebbett	135	135	135	400
Ebos, 50c	130	130	130	600
E Lichtenstein, 50c	365	365	360	4300
Emperor Mines, 10c	178	---	---	0
Endeavour	230	230	218	1500
E Adams	215	---	---	0
Europa pref nt	92	92	92	100
F T C, 50c	135	135	130	8400
11% conv pr	111	111	111	900
F Waimak, 50c	85	85	85	600
Feltex, 50c	162	162	161	54800
6% pr	175	---	---	0
16% pr	172	172	170	2800
Firestone NZ	153	153	152	4500
Fisher & Paykel	323	323	305	37300
Fletcher-Challenge	240	242	239	157300
15% conv pr	103	103	103	1400
16% conv pr	415	415	415	2400
Fountain Corp	105	112	105	21300
Foveaux Radio	85	85	85	3100
Freightways, 50c	190	190	187	33600
10% conv pr	148	—	—	0
Gear Meat	58	58	58	8500
11.5% conv pr	60	60	57	1300
G Court	170	170	170	300
G J Coles, 50c	400	—	---	0
Golden Bay, 50c	70	70	62	40400
Goodman Group	480	480	475	33970
14% conv pr	380	380	380	200
Grosvenor Props,	85	85	85	400
Hallenstein	275	275	275	5100

	Last sale	Week's high	Week's low	Turnover
Hauraki Enterprises, 25c	140	140	138	22400
Hawkins, 50c	110	110	107	14100
6.5% pr	28	---	---	0
H B Farmers	300	305	300	1200
13% conv pr	180	180	180	200
Healing	278	278	272	6300
12% conv pr	260	260	260	200
H Pollard	480	480	480	2350
10% conv pr	400	---	---	0
Henry Berry, 50c	185	188	180	9700
Holeproof	500	500	500	100
Hume Industries	165	170	165	8300
5-7.5% pt pr	40	--	--	0
I C I (NZ)	222	222	220	7300
Ind Broadcasting	102	---	---	0
Independent News	195	200	195	1300
Ind Chem, 50c	200	---	...	0
I Watkins-Dow, 50c	248	250	247	11800
James Smith, 50c	88	--	..	0
14% conv pr	80	..	..	0
12% conv pr	55	...	...	0
J Burns	100	100	100	28300
14% conv pr	216	...	...	0
John Edmond	250	250	250	2000
J Webster, 50c	73	73	73	2200
12% conv pr	67	.	..	0
J Nathan	140	.	.	0
J Rattray	265	265	265	900
12.5% conv pr	210	.	.	0
L W Rudkin, 25c	83	84	82	19300
12% conv pr	125	125	125	1100
Lanes, 50c	90	90	90	15700
L D Nathan	240	240	232	20000
9.5% conv debs	227	--	---	0
16.5% conv pr 90	235	235	232	18900
Leyland, 50c	190	...	..	0
Lion, 50c	151	152	150	105000
10% conv pr	156	158	150	38300
12% conv pr	122	127	122	2900
L & M Oil, 50c	35	38	35	9200
[illegible]	255	..	.	0
[illegible] Corp, 50c	215	215	215	300
15% conv pr	120		.	0
Mair, 50c	305	305	303	1000
11% conv pr	320	320	320	700
Manawatu, 50c	110	110	110	500
[illegible]	215	.		0
Marac	195	200	195	4500
McAlpine, 50c	120	120	114	9000
McKechnie	230	235	230	3200
Midland	190	190	190	4000
11% conv pr	200	.	.	0
Min Resources, 20c	85	100	85	37700
M O'Brien, 50c	65	65	65	2100
12% conv pr	53			0
15% conv pr	50		.	0
Montana, 50c	164	154	150	3600
M-P I M	210	---	---	0
Motor Holds, 50c	187	190	185	8400
Motor Trad, 50c	75	75	73	2500
5-6% pr	63	..	..	0
11.5% conv pr	62	..	..	0
MSI Corpn, 50c	93	97	92	18100
12% conv pr	100	---	---	0
Mt Cook	195	195	190	20800
conv pr	167	168	165	17200
M I M Holds, 50c	760	---	---	0
Nat Insurance, 50c	300	305	300	15800
Naylor	150	...	---	0
5% pr	30	..	..	0
Neil Holdings, 50c	90	91	90	89300
N Z Cement	125	126	122	8300
N Z F C, 50c	152	160	150	13500
11% conv pr	145	146 145	900	
N Z Farm Fert	220	220	220	98900
12% conv pr	190	190	185	50100
14% conv pr	175	175	170	56100
N Z F P	392	392	385	52900
N Z I G	445	445	400	100
NZI 10% conv pr	265	265	265	5850
N Z Light Leathers	50	52	48	14200
N Z Motor Bodies	85	85	85	900
N Z M C	168	170	166	12300
N Z News	234	234	230	6300
N Z Petrol, 50c	900	960	900	2875
N Z Refining	160	160	160	2000
NZSB	90	90	89	243600
N Z Steel	215	225	215	14700
N Z United	600	600	600	100
Nuhaka	210	---	---	0
Odlins, 50c	100	100	96	82800
'A' 6% pr	68	---	---	0
12.5% conv pr	72	72	70	1600
'B' 13% conv pr	72	72	72	3400
15% con notes	120	120	115	19700
Optical	65	68	65	3600
12% conv pr	50	50	50	1600
Otago Press & Prod	175	---	---	0
Pavroc Holdings	240	---	---	0
P D L Holds, 50c	245	245	240	6400
Perm Invest	110	---	---	0
Phillipps & Impey, 50c	245	245	235	35400
Printing & Packaging	215	215	215	5700
11.5% conv pr	185	185	185	1600
Progressive	193	198	193	13400
12% conv pr	920	---	---	0
Prop Securities, 50c	230	230	230	23600
Prud Building	131	---	---	0
Quill Humphries, 50c	115	115	115	7300
12% conv pr	110	---	---	0
Radio Avon, 25c	120	120	116	3200
Radio Otago	112	115	112	300
Regina	175	175	175	1000
R & W Hellaby	95	95	92	17100
Reid Farmers	358	360	358	400
Repco (NZ), 50c	86	87	86	2200
Revertex	295	295	295	2000
Rex Consol	312	312	310	3200
15% conv pr	175	175	175	1600
Rheem, 50c	220	220	220	2400
Rothmans, 50c	150	150	150	42100
R W Saunders	300	300	300	1900
Salmond	231	231	231	600
Sanford	340	340	340	600
pr	310	---	---	0
12% conv pr	310	310	310	100
12% 'B' conv pr	290	---	---	0
Schofield	160	160	156	3800
Scott, 50c	92	95	92	4100
12.5% conv pr	85	--	--	0
Selby	280	---	---	0
Skellerup, 50c	400	400	400	1900
5-7.5% pr	40	--	--	0
Smith Biolab, 50c	180	180	180	4000
12% conv pr	150	---	---	0
Smiths C M	185	186	180	7300

	Last sale	Week's high	Week's low	Turnover
Sthn Cross Hotel	138	138	138	3400
Sthn Cross Mins, 20c	40	40	38	28800
S F M	286	287	285	20700
Spedding, 50c	70	70	70	4500
12% conv pr	80	80	80	500
Steel & Tube, 50c	138	140	135	12800
Suckling	160	160	160	100
Taylors	160	160	160	500
12% conv pr	165	...	...	0
Teltherm	168	168	162	4300
12% conv pr	128	...	...	0
T J Edmonds	315	315	310	8500
Tolley	200	200	195	112600
Tourist Corp of Fiji	40	..	..	0
Trans Ashburton, 50c	60	..	..	0
TNL Group, 50c	115	115	112	122600
10% conv pr	84	..	.	0
12% conv pr	105	105	100	1200
Trans (Nth Cant)	142	142	142	3800
13.5% conv pr	115	115	115	1500
16% conv pr	115	...	...	0
U E B, 50c	112	114	112	10400
6.5-7.5% pr	115	...	..	0
12% conv pr	109	109	108	4500
16% conv pr	68	70	68	8000
United Bldg	130	130	130	1500
United Publishing, 50c	305	...	.	0
[illegible], 50c	90	92	90	10200
12% conv pr	72	.	.	0
17.5% conv pr	72	72	72	900
Waitaki-NZR	255	255	250	35800
11.5% conv pr	205	205	205	1200
Walker & Hall	460	460	455	800
Wattie, 50c	179	180	177	51300
12.5% conv pr	108	108	108	800
[illegible]	430	..	...	0
Westbridge	250	..	..	0
Wilkins & Davies	445	445	445	100
5.75-7.5% pr	58	..	.	0
W Jeffery	160	160	155	2700
12% conv pr	140			0
Wilson & Horton	428	428	420	8050
Wilson Distillers	155			0
Wilson Neill	115	115	115	1400
12% conv pr	165	165	165	400
Winstone, 50c	70	78	70	204200
12% conv pr	62	64	62	4800
W'Wths (NZ)	72			0
Wormald	130	130	130	600
5-7.5% pr	112			0
W Sutherland	105	105	105	300
Yates Corp	420	420	405	27750
12% conv pr	170	170	170	800

Exchange rates

AS at August 6, NZ dollar sells at:

Britain	.4508	Italy	1007.34
US	.8136	Japan	194.54
Canada	1.0082	Malaysia	1.9224
Australia	.7223	Netherlands	2.2554
Fiji	.7258	New Caledonia and Tahiti	87.98
Austria	14.28	Norway	5.0254
Belgium	33.30	Pakistan	7.9480
China	1.4732	Portugal	53.71
Denmark	6.4013	Singapore	1.7564
France	4.8474	South Africa	.7719
Greece	49.55	Spain	81.01
Hong Kong	4.8139	Sweden	4.3090
India	7.3435	Switzerland	1.7594
Ireland	.5558	West Germany	2.0313
		Western Samoa	.8853

Energy projects

Strike and strife

From Page 1

could also have implications for the Marsden Point refinery expansions.

This centres on the ammonia-urea project in Taranaki, where two unions (labourers and engineers) are arguing over the right to undertake rigging work on the project site.

The Federation of Labour has been brought into the dispute, which goes before the Arbitration Court in Wellington tomorrow. The demarcation argument could have national implications for other big projects; similar disputes could cause heavy cost increases on other project sites.

The ammonia-urea plant has also created deep divisions within the Taranaki engineering industry over what is claimed to be staff-poaching that will force wage rates beyond the resources of some companies and thus threaten their business survival.

For example, engineers Robert Stone Co Ltd has recently won an $11 million contract to build Marsden Point pipes at its Taranaki factory. More than 100 staff will be involved in fulfilling the contract.

At the same time, the company is trying to recruit 100 staff to work on-site at Petrocorp's ammonia-urea plant. Advertisements seeking workers are reported to have attracted 150 applicants.

The reason is simple: a basic tradesman with no qualifications can expect to earn up to $26,000 a year on the site "with very little overtime", according to one *NBR* source in the district.

A similar tradesman not working on the site could expect only some $16,000 to $17,000 a year.

"There's just no way we can hold men against that difference," one employer said. "It screws the whole market up."

Employers in the district blame Petrocorp itself for creating the situation.

The state-owned corporation, they suggest, should have only let contracts to bidders with sufficient manpower resources or at least have set guidelines about the number of staff a successful bidder could employ from any single other source.

This approach has been adopted in the past.

Petrocorp is known to have been approached about instituting such safeguards to prevent disruption in the marketplace. The response, according to one *NBR* source, was "not positive".

"If Petrocorp had taken an overview, looking at the next four to five years, they would have seen that creating such a situation as now would not be in their best interests," commented one Taranaki employer.

"I don't think they have taken a very responsible attitude."

Meanwhile, claims were also made last week that overseas contractors are actively trying to avoid the use of New Zealand contractors for off-site fabrication work.

On one project, *NBR* was told, New Zealand off-site work has been reduced to a third of the possible local industry output in favour of pre-assembly overseas.

The justification was a shortage of skilled manpower in the project area — based on a report produced before project timetables started slipping, leaving the current manpower resource still adequate.

One engineering company executive believed the local industry has the ability to increase capacity by 50 per cent. His assessment backs up a recent report into the heavy engineering industry by the Heavy Engineering Research Association (report details, Page 32).

But he also believed there was little political will to ensure the New Zealand industry secured the maximum possible work available on the big projects.

The industry is also concerned about an apparent reluctance by some project developers to detail the New Zealand fabrication content they intend to use.

$11 million contract let

by Ann Taylor

PIPES and filling for the Marsden Point oil refinery expansion constitute the largest contract let on the major projects to date.

Robert Stone Co Ltd has won the $11 million contract to pre-fabricate the piping, which will be built in Taranaki where the company has had a factory since 1968.

About 30 welders will be trained at the local polytechnic and on the project which will involve the 130 staff at Stones' New Plymouth division.

Project managers, Badger, of the Hague, and Chiyoda, of Japan, will supply almost all the materials for the contract. The Badger-Chiyoda joint venture is responsible for the design, construction and procurement of all the goods and services necessary "to make the refinery happen".

In turn, Badger-Chiyoda selects whichever subcontractors it wants from the procurement office in Wiri where they are currently talking to potential suppliers and calling tenders.

Stones will find itself in the company of Downers, Fletcher Construction, McConnell Dowell and Wilkins Davies which form the local consortium building the expansion on subcontract to the joint ventures.

Stones has previously done large pipe contracts for the pulp and paper industry and the New Plymouth and Huntly power stations.

And Stones' construction division recently won the $3 million contract for the mechanical construction of the ammonia-urea plant.

Stones will fabricate the pipes with "more than 120 skilled operators for design, quality assurance and quality and material control backup of abour 25 persons", said Badger-Chiyoda's local operations manager, Henk Dokter.

The pipe work, directly associated with the refinery, will be transported from New Plymouth to Whangarei.

The next contract to be let is for 20 large storage tanks on the site. *NBR* understands the contract has gone to an overseas interest which will in turn contract local companies.

Projects progress, Pages 32-34

Overseas trade

Clearing the decks for America's exporters

The new United States Ambassador to New Zealand, H Monroe Brown, will tomorrow present his diplomatic credentials to Governor-General Sir David Beattie. Among the problems he inherits in his new post is the continuing action against New Zealand exporters by United States producers who argue that out export incentives are in effect a Government subsidy affecting their trading prospects.

But, even in the United States Ambassador Brown has just left, the issue of exports and domestic protectionism is becoming increasingly prominent, as Paul Cheeseright of the Financial Times reports.

THE Reagan Administration, its flag hung on the mast of free trade, is facing the problems of matching actions to policy, not only in providing the framework for an aggressive expansion of United States exports, but also in resisting domestic protectionist pressure.

A key element of policy is to remove internal barriers to exporting. Three measures on which the Administration sets importance are caught up in the Congress.

A bill to ease the formation and working of export trading companies, which could help up to 25,000 companies into overseas markets, has reached the same stage as it did in 1980. It passed through the Senate in April, but has since stalled in the judiciary committee of the House of Representatives.

The two main elements are provisions for anti-trust immunity for specified selling activity abroad and permission for banks to hold enquity in trading companies. According to William Brock, the United States trade representative, passage of the bill is "a first step towards developing a positive national export policy."

The Administration is throwing its weight behind a move to amend the Foreign Corrupt Practices Act, passed unanimously by Congress in 1977 to eliminate overseas bribery. The amendments seek to define bribery afresh, match overseas bribery law with domestic bribery law and, if the Administration has its way, remove the Act's bookkeeping and accounting requirements.

Voting on the amendments is expected in the Senate at the end of this month. Senate approval is expected, but the prospects in the House remain uncertain.

The question of taxing expatriates has been debated for some years. The Administration wants a change in the unique United States practice of taxing income earned abroad on the basis of citizenship rather than residency.

"Foreign earned income of American citizens residing overseas for 17 out of 18 months must be exempted from US taxation if we are to remain export competitive," Brock said last April.

The Senate has before it a proposal to exclude the first $50,000 and half of the second $50,000 of income from domestic taxation. The taxing of expatriates is part of the wider tax bill which the Administration is urging on Congress.

The same is true of tax credits for research and development and a speeding of depreciation, both measures which would indirectly help exporters.

These domestic moves find their diplomatic parallel in the effort, both bilateral and multilateral, to maintain and improve access to the overseas markets.

Thus there is considerable pressure from the Administration to open wider the Japanese market, which last year took 9.4 per cent of United States exports. The pressure is widely spread.

It runs from agriculture, where Brock is seeking the removal of quantitive restrictions on beef and citrus products, to high technology items like semi-conductors, where Japan has offered accelerated tariff reduction to 4.2 per cent.

Similar demands, reflecting United States exporting strengths, will be levelled at other trading partners. "We will insist that our trading partners live up to the spirit and the letter of international trade agreements, and that they recognise that trade is a two-way street," declared the statement on American trade policy offered to Congress earlier this month.

This is a question of monitoring and enforcement of agreements already in place. But the most striking initiative taken by the Administration so far is the attempt to generate momentum for an international code on services.

Although there is an OECD code on services, it has no enforcement procedures. A more rigid form of trading discipline fits United States interests neatly. Services are said to account for nearly 66 per cent of the gross national product and for 41 per cent of exports.

The United States has specified the aim, encouraged the undertaking of studies into the vague and amorphous sector within OECD, launched the idea within the consultative group of 18 (effectively a steering group) at the General Agreement of Tariffs and Trade and raised the matter in numerous bilateral discussions.

But what it has failed to do so far is decide itself the best forum for future discussions on liberalising services or to advise a work programme which could produce the information on which any later negotiation might be based.

This means that the United States initiative at this stage lacks a definite focus. But the rhetoric of open trade in services nonetheless has a useful domestic function. The Administration needs to be seen by the Congress as working to open up new markets as a counter-balance to protectionist pressures.

Congressional specialists note that the less protection industries feel they can receive from the White House, the more they will turn to Congress.

The Administration has committed itself, with qualifications to permit the adjustment of threatened industries, to maintain open American markets.

The logic of its general position would suggest that the Administration should liberalise access to its own food products market. It has not so far done this and there appear to be no initiatives for doing so.

ELECTION WATCH '81

Update: Pages 39-40

Amex poised to launch VIP 'Gold Card' here

by Lindsey Dawson

AMERICAN Express Gold Card may soon be available for the company's extra-affluent New Zealand customers.

According to the Amex regional vice president of sales and marketing for Asia, Pacific and Australia, Norma Arnold, there is strong demand for Gold Card in Australasia.

Arnold was visiting New Zealand recently from her Singapore base, to talk with local Amex people. She is one of the company's few top female executives, and at 31 has responsibility for guiding Amex's marketing strategy in its Asian market which stretches from Afghanistan ("although we are understandably not doing much business there now") east to Hawaii.

The Asian region, she said, was "the key growth area in the world. Many more Asians are becoming affluent and there is fast access to wealth in Australia and New Zealand."

That rapid growth of affluence was creating the demand for Gold Card, which is already available in Singapore and Malaysia, she said.

Gold Card is a step up from the familiar green charge card, and Arnold admits that people often want it for status reasons. "It's a bit of an emotional thing — it says a bit more about them."

Gold Cards cost more and applicants are vetted more closely. In return they have unlimited credit and can roll over the heaviest of bills from month to month. In much the same way as bank card systems allow, but on a much larger scale.

Extra credit is arranged for Gold Card holders through banks or finance institutions.

"In the United States the minimum credit is $2000. So if you buy a Persian carpet and it's just a little more than you want to spend this month, you can roll it over to the next."

Amex card holders, whether gold or green, can and do use their cards for massive purchases. "The biggest one I ever heard of was for $65,000 for some diamonds."

Charge cards, like American Express, and credit cards are used heavily all over the world now, but Arnold believes that the concept of a cashless society is a myth.

"I think that what the card does is give you the extra purchases that you don't necessarily want to pay cash for. It gives you flexibility.

"And certainly most firms in the United States prefer you to use a credit card because they can check you out. However, I think a lot of people still prefer to use cash around town."

But travelling is another story. She rarely travels internationally with more than $50 in her purse — "just enough for the occasional cab." Everything else is charged up, and spare cash can be obtained using the card.

(New Zealand Amex card holders travelling overseas can get $250 cash within a 21-day period by signing an Amex counter cheque. Card holders from other countries can write a cheque on their hometown bank. New Zealanders are the only ones whose finance regulations forbid it.)

Amex membership figures are up to 10 million worldwide, and 60,000 in New Zealand. General manager Rob Mudgeway believes that potential for growth here is double that figure.

He can't give a date when retailers and members are likely to see the introduction of Gold Card. "We're assessing it at the moment. But the demand is there and we'd like to go ahead with it."

Stamps can't be licked for right royal PO profit

BUSINESS here — as in Britain — has been cashing in on last month's royal wedding, marketing all sorts of souvenirs and mementos.

The Post Office has climbed on the bandwagon. It issued a special twin stamp to mark the occasion — just one of about 70 countries' post offices to do so.

The number of stamps around the world which are sold and never used because they are kept by philatelists and royalists, will be astronomical.

An estimated 750 million people saw Prince Charles and Lady Diana Spencer, live on television, being married at St Pauls Cathedral. That number will fade into insignificance, compared with the number of stamps that are produced.

New Zealand's two 20 cent stamps (one depicting the couple, the other showing St Pauls) will be on sale for three months. The Post Office does not announce in advance how many it mints, but it was probably more than 10 million.

It is unclear how many stamp collectors there are in New Zealand. But if the numbers here, per capita, are similar to those in Britain, there will be about 300,000.

If all kept the two stamps each, in mint condition, a healthy $120,000 income will be generated for the Post Office without the cost of providing the services of delivering any mail.

Consider Britain, with its estimated 5 million stamp collectors: if its two stamps worth 40 cents each are kept by each collector there, the Post Office would gross $4 million.

The Post Office will give the stamp collectors [illegible]: Only one royal issue in Britain, and one here, have been of value to philatelists:

The British exception: a set of stamps in 1948 marking the silver wedding of King George VI and Queen Elizabeth. They are now about $3000 in Britain.

New Zealand has issued royalty sets since 1935, but only the first issue, marking George V's silver jubilee, appreciated to a noticeable (about $10).

Those prices are what they now cost from dealers — not what they will pay collectors.

So, for the public, last month's royal wedding stamps will have a sentimental heirloom value; financially they will not make a good investment.

(The health stamp set which came out this month, is a better investment, with miniature sheets traditionally shooting up in value: a mint sheet issued in 1974, with a face value of [illegible] cents, will now cost more than $35 from a dealer.)

Analysing annual accounts: UEB Industries

by Klaus Sorensen

UEB Industries Ltd provides graphic evidence of the importance of export incentives to many companies, in its 1981 annual report.

The Auckland carpet container and tourist group had an up and down sort of year with significant fluctuations in each quarter.

The result was a potentially nasty 29.4 per cent fall in pre-tax profit, but a major boost in export incentives resulted in a tax credit and a small increase in the bottom-line profit.

The notes in the UEB annual report tell quite a story.

The next tax credit for the year was $1.8 million compared with a $1.6 million tax charge in 1980, and this was arrived at after a 54 per cent increase in various tax deductions.

The 1980 year saw the $7.8 million of deductions reduce the amount of profit liable for tax from $11.3 million to $3.5 million.

But in the March 31 1981 year total deductions were up to $12 million, which when matched up with pre-tax profits of $8 million, left an excess of deductions over pre-tax profit of $4,022,773 — or at 45 cents in the dollar, a tax credit of $1,810,248.

The notes show that of the total $12 million available to be deducted against taxable earnings, some $9.2 million came from "export market development and performance incentives" — a 42 per cent increase over the corresponding amount of $6.5 million achieved in 1980.

Investment allowances contributed $1.5 million ($644,000 in 1980) while the deduction for preference dividends was up from $600,000 to $806,250 and "other items" were up from $45,688 to $420,092 — providing a total of $12,036,981 compared with $7,827,469 in 1980.

Managing director Rob Tedcastle says in his review: "We acknowledge the benefits that accrue to the company from Government's export incentive schemes.

"We applaud the continuance of incentives to those companies that aggressively export, and a clearer understanding is required by the community of the benefits that accrue, not only to exporters, but also to the balance of payments of the country and to employment."

What Tedcastle doesn't refer to are the advantages export incentives can have in bailing out domestic profits when they start to sag — and the considerable relief involved in not having to report a profit drop to shareholders.

Considering the relatively uninspiring net profit (up only $240,000 to $10.3 million) and steady dividend recommendation, shareholders should find the report, and Tedcastle's review of the year's experiences, interesting and very informative.

Rob Tedcastle . . . all for incentives.

The directors report says the net profit was "a satisfactory one in a most difficult trading year" and Tedcastle describes the 1981 year as "one of the most challenging experienced in the history of the company."

The first six months of the year saw net profits eroded in relation to sales. Sales were up, from $84 million to $111 million, but the after-tax trading profit was static at $3.8 million.

The second six months saw a slight improvement.

Tedcastle describes this period a little more cheerfully. "In the second six months, which is historically our most buoyant period of trading, we achieved sales of $115 million and an after-tax trading profit of $6.4 million, compared to the corresponding period sales of $108 million and an after-tax trading profit of $6.2 million."

But he admits both periods reflected a decline in activity in real terms after adjustment for inflation.

And the period demonstrated worsening conditions in New Zealand as witnessed by the continuance of high inflation high interest rates, a net outflow of population and high unemployment. One bright spot was the 16.6 per cent rise in export receipts, from $28.6 million to a new record of $33.4 million — which, as noted, proved to be doubly important when it came to totting up the profit.

But what the report doesn't spell out is the reason for the 29 per cent fall in pre-tax profits.

From Tedcastle's comments shareholders must conclude that most of the erosion of profit margins was due to an unexpectedly bad performance by Trans Holdings — whose 12-month trading period is included in the accounts for the first time.

Of this division he says: "Our interim report commented on the seasonal losses traditionally incurred by inbound travel operators, aggravated this year by a downturn in business from Australia.

"The trend that was evident earlier in the year was not arrested in the second half and it is disappointing to report that our tourism division finished the year substantially below forecast targets in both sales and profit, and this has materially affected our final result."

But there is another aspect of the Trans division which shareholders might like more information on.

UEB is currently selling off a large part of the company — the hotels and the Fijian investment — and there seems to be some uncertainty about what is left, and which bits UEB intends to retain.

Tedcastle says in his report that "our objective is to restructure the tourism division as primarily an inbound tour operation" but there must be some shareholders of UEB who don't know what an inbound tour operation is.

What these shareholders might appreciate is a simple explanation of what will remain of Trans in terms of assets and activities when the restructuring is completed.

And the company might also consider spelling out, when the reorganisation is completed, whether it has made a capital profit on the disposals or what the write-offs have amounted to.

Another interesting aspect of the UEB result for 1981 is the extraordinary items, and again it is left to the notes to the accounts to tell the full story.

The profit of $10.3 million was before extraordinary items of $141,500, well down on the 1980 extraordinaries contribution of $696,130.

Note six shows extraordinaries were made up of three principal factors — a capital profit on the disposal of assets of $1.9 million ($192,455 in 1980), less a loss on forward exchange contract of $934,763 (nil), and a write-off of goodwill on consolidation of $820,865 ($2.7 million in 1980). In 1980 the company realised an additional $3.2 million profit on the sale of shares in Tasman UEB holdings.

The only real criticism of the report is the non-disclosure of operating costs. Shareholders are told sales were $226.2 million and the "cost of sales" was $201.9 million, but there is no breakdown.

Nevertheless, the eagle-eyed shareholder will notice a couple of interesting disclosures in the back half of the report which contains the descriptions of various manufacturing processes and statistics.

So while the company does not disclose operating costs, it does reveal under the heading of staff that total remuneration paid to employees during the year was $55.1 million — out of total costs of $201.9 million.

Another interesting titbit is the reference in the corporate profile to investment in technology; "if expressed in the value of its machinery alone, it is huge. To replace all the plant being used in manufacturing would cost the company more than $150 million."

The balance sheet values total fixed assets at $88.9 million, including $38.8 million worth of plant machinery, vehicles etc.

The trouble is shareholders won't know whether they should be delighted at the appreciation in the value of the company's assets, or fearful of the day they have to be replaced.

Admark

Co-operative campaigns pushed as cost-cutter

by Lindsey Dawson

TWO or more heads are better than one. Several budgets carry more clout than one. That's the idea Auckland advertising man Rod Squires pushes when he tries to sell the idea of co-operative campaigning.

The last few years have seen an upsurge in the use of co-op promotions in New Zealand, mostly in the retailing field. But Squires sees much greater potential for the concept, and has been involved in several co-op tourist promotions which are proving to be winners.

One is the Mt Cook Ski Region idea, instigated by Alistair Aitken, marketing manager of THC. This is a nine-company deal, involving THC, the Ohau and Tekapo Ski Fields, Whirlwide Helicopters, Glentanner Park, Mt Cook Line, Alpine Guides, Air Safaris Ltd and Mutual Holidays.

They all pitched in to produce promotional material including a 15-minute film on the delights of South Island skiing which has been shown on Australian television and also goes to Oz ski clubs.

It's a low-key, soft-sell movie, with each participating company getting a chance to show their individual wares, as well as pushing the region as a whole.

As a result, says Squires, "sales in the region have grown dramatically over the past three years."

Another co-op product developed around THC is the promotion of Rotorua as a convention centre. Tour operators, airlines, guiding companies and tourist venues all co-operated to make a film which is being shown in Australia and the United States.

"Until now people overseas had little idea of what New Zealand had to offer for conventions. But the film is now making an impact and by the end of 1981 will have bought many major overseas conventions to Rotorua," said Squires.

He organised many similar ventures in Australia before setting up business in New Zealand five years ago ("I came over to do some trout fishing and never went back") but finds New Zealand businessmen generally reluctant to become involved in co-operative ventures. "There's this fear that they might not get their money's worth in terms of exposure for their product.

"This mainly stems from their own traditional marketing policies or a lack of willingness to 'have a go' at something new or innovative."

But, he says, co-op sales promotion can maximise your own dollar investment, minimise the risk of an expensive campaign and give enough punch to get the potential consumer to buy.

Examples of such promotions on New Zealand TV screens this year have been the "Once in a Lifetime" contest run by Agfa, Air New Zealand, THC and 600 chemists throughout New Zealand; Frank Curulli Stereo Centre ads which linked up a raft of different stereo and video companies such as Pye, Fisher and Paykel, Thorn/Sharp, Fountain, Akai and Sanyo; and Bay of Islands interests have got together to market the region's tourist potential, with Mt Cook, THC and American Express joining hands in a joint promotion.

Financial advantages of joint budgeting are becoming increasingly obvious with the high costs of TV advertising, says Squires. "Companies can get in on a $150,000 promotion for only $20,000."

But the headaches for the organisers can be as big as the savings. "Most agencies simply don't want to become involved in co-op deals because of the hassles," says Squires. His firm charges a fee to put the whole deal together. Relying on commission only would not be worth their while.

He believes that the co-op promotions we've seen so far have only scraped the surface of the potential in New Zealand. He cites one of his most successful Australian promotions which took six months to plan and involved a host of companies involved in barbeque products — everything from food and drink to plastic plates.

Two million 16-page recipe booklets were given away at Woolworths supermarkets throughout Australia. The booklet featured a barbeque recipe competition. "These things tend to snowball. There were 200,000 entries for the contest. Margaret Fulton of *Women's Day* culled through them for the 50 best, and they were then published in a hardback, which sold very well. They were also bought by Tupperware and given away as a party hostess prize. And every step of the way the sponsors' products got more exposure."

Major sponsors got a $200,000 campaign for a quarter of the price, said Squires. "I believe it will become a much more important part of the New Zealand advertising scene.

"The cost of TV time has gone up 100 per cent since I came here five years ago. It's now awfully expensive for one company to mount a TV campaign. But if the right partners can be found you can double or quadruple the budget in a mutually beneficial marriage."

Squires seeks to fulfill certain criteria in setting up co-op promotions. "We look for products or services that not only fit well together under the same umbrella, but result in generating sales for each other.

"The promotion must have a common objective, which is immediately conveyed in the creative presentation of the new product. An 'umbrella' name is desirable so the consumer can identify with the new group of products or services."

Squires is also a firm believer in New Zealand's tourist potential. "This country's got so much to offer. We are firmly committed to the tourist business," he said. His company has just acquired a new travel account, Auckland's Travel Plan, and another client is Solitaire Lodge, of Lake Tarawera, a first-class, get-away-from-it-all lakeside lodge frequented by wealthy overseas guests.

Squires is presently putting together a promotion for the American market aimed at turning the lodge into a condominium-style resort.

State of the media

THE appearance of the ninth edition of *Media Planner* is an indication not only of its staying power but of its permanent role in the world of advertising and publishing.

It covers the lot — newspapers, magazines, radio stations, ad agencies, PR consultants, cinema, outdoor, even a list of all the names of media people mentioned in the planner.

Often a problem with works of reference is the very plethora of information and the consequent need for careful navigation in a sea of facts.

The Media Planner circumvents this with an excellent cross-reference system. Newspapers are listed by type, by NPA classification, by publishing frequency and in geographical order.

Magazines are grouped by the 21 different markets they serve. And all the salient data is there for instant reference.

The publisher, Press Research Bureau, also produces PRRADS, the continuously updated press research rate and data system which made its debut last year.

PRB's Malcolm Willoughby reported to *Admark* that he is most happy with the reception given to PRRADS. "Our inter-agency penetration already equals that of the similar Australian publication," he said. — **Grev Wiggs**

RNZ walks off with Clio

NOT for the first time, Radio New Zealand has won recognition in the international Clio Awards.

A 30-second commercial for NZ National Walkways won certificates in both the creative excellence category and special travel and recreation class.

The commercial was a jingle with a lyric written by Tony Eagleton set to library music, voiced by Lance Eccles and with the technical operation in the hands of David Lindsay — all RNZ staffers.

"It was a marvellous shot in the arm for the firm," an elated Eagleton told *Admark*.

The Clio Awards, this year celebrated in Amsterdam, is a truly international competition and the 1981 entries, received from 40 countries, numbered 14,000 — **Grev Wiggs.**

Publishing takeover

AFTER thirty years in the publishing field, Cranwell Publishing Company has been taken over by the multi-national IMS International Incorporated.

Cranwells, established in 1950 and Riddells, an associated company in Austra'ia established in 1968, were both founded by R G Riddell who has now retired.

Cranwell built a unique position for itself in the materials catalogue field, catering for a variety of industries.

The new owners will continue to produce the *Cranwell's Building Supplies Catalogue, NZ Export Year Book, NZ Purchasing Year Book, NZ Fishing and Marine Catalogue, NZ Commercial Growers and Gardening Supplies Catalogue, NZ Packaging Year Book, NZ Catalogue of Educational Supplies*, also the monthly publication *DEMM* and the bi-monthly *Government Equipment News.*

The new general manager, David Reddaway, will succeed Grahame Tait who has also retired. — **Grev Wiggs.**

Court decision topples Crown, as well as clock tower

ENVIRONMENTAL groups believe a High Court decision, declaring construction of Nelson's new chief post office unlawful, could have wide and long-term implications for future Government buildings in relation to the district schemes of local bodies.

The decision by Mr Justice Quilliam that the building is illegal, because it does not conform to the operative district scheme for Nelson in terms of height or parking requirements, came three years after a campaign was started to get the Post Office to reduce its size during the planning stages.

But, ironically, it has come at a time when the top floor of the seven-storey building is already half built.

The main objections to the building in Nelson were based on aesthetic considerations. It was thought to be disproportionately large for a city of predominantly low-rise buildings, and objectors pointed to the obtrusiveness of the city's other large building, the Rutherford Hotel, with its large "DB" sign looking from some angles as though it sits on top of Nelson Cathedral.

But apart from considerations of aesthetics, there were objections to the size of the chief post office building from the city's business community, which complained that it would overload the city with office accommodation.

There is already a surplus of first-floor office accommodation above central city shops in Nelson, and the Chamber of Commerce has successfully campaigned to have the two-storey minimum development for new buildings in Trafalgar Street dropped from the draft district scheme at the present review.

Three of the floors of the new post office building are surplus to the Post Office's own requirements, and though they will be let out to other Government departments, the business people say this will mean drawing the departments out of their present accommodation in privately owned buildings when there is no one to replace them.

There may even be some resistance to the post office accommodation from the very departments expected to use it. One of them is Inland Revenue, which is in cramped, mainly first-floor quarters in an old Halifax Street building at present.

Since the introduction of national superannuation, elderly and often physically handicapped people who have never previously paid tax have become regular visitors to the department, and it sees the need for street-level offices to cater for them.

In Nelson, the department has managed to acquire some ground-floor space in its existing building to meet this need, but it could be expected to lose this advantage if it shifted into the new post office building.

The Nelson Institute, through its urban studies group, campaigned strongly for the size of the post office to be reduced, both as a matter of townscape and because of its likely effect on office accommodation, and it forwarded a petition of 2000 signatures to the then Postmaster-General, Ben Couch, in 1979, calling for the building's size to be reduced.

But it was left to the Auckland-based Environmental Defence Society to take the case to court, and they based the writ they lodged against the Post Office and the Ministry of Works in February 1979 on the question of non-conformity

Mr Justice Quilliam . . . unsettling decision.

with the operative district scheme.

When the matter finally came to a hearing last month, the lawyer for the EDS, Tony Doogue, successfully argued that the building should not have gone ahead without approval from the city council through the statutory specified departure procedure for non-conforming buildings.

Although the Town and Country Planning Act is not generally binding on the Crown, there is one section which says non-conforming public works should not be commenced until either the public work has been designated as such in the district scheme or authority has been obtained under the terms of the Act.

Although the Government owned the chief post office site in Nelson, it carries a commercial C, not a public works zoning, and Doogue argued that it was consequently obliged to conform to the district scheme.

He said it did not do so because although its purpose as office space was a conforming use in the zone, it did not comply with the ordinances for the zone in terms of height or off-street parking requirements.

The Crown said that any departure from the code of ordinances merely had the effect of making the building a conditional use for the zone under the scheme, and it was agreed that if this were so, the section prohibiting construction would not apply to the Crown.

But Mr Justice Quilliam accepted Doogue's contention that a conditional use which still did not conform with the ordinance requirements must be treated as a specified departure.

This is something which can only be granted after a public hearing at which interested parties have been given a chance to object.

However, despite the judgment of Mr Justice Quilliam, it seems most unlikely that the Government would allow the top floors of the building to be demolished — though Works Minister Bill Young has ordered a temporary halt on the as-yet-uncompleted clock tower which is to rise above the main body of the building.

He has announced his intention as soon as possible to have the site designated for public works to take it outside the district scheme requirements and he says the Crown will appeal against the High Court ruling.

Nelson seems to be stuck with its seven-storey post office. But the Environmental Defence Society believes that at least the case will have had the effect of making the Crown a little less cavalier in its treatment of district schemes in future.

Type A — endangered species of the business world

by Belinda Gillespie

IF you believe that business matters more than you or your family, if you can't relax and forget the job when you're supposed to, if prestige and money mean more than people — you are a victim of business.

More than likely, you have a Type A behaviour pattern. Which means, according to the New Zealand Heart Foundation, you have "enhanced personality traits of aggressiveness, ambitiousness and competitive drive, are work orientated with preoccupation with deadlines and exhibit impatience and a strong sense of time urgency".

"Type As", both men and women, have higher blood cholesterol, higher blood pressure as well as falling into the "coronary-prone behaviour pattern" which distinguishes them from "Type B".

"Bs", along with their better hearts, are placid, have easy-going personalities, and are unruffled by inner drives and ambitions.

John Spicer, a New Zealand psychologist, was backed by the Heart Foundation in his studies of Type A incidence and effects among Auckland men.

"The Type A behaviour pattern is clearly in New Zealand," said Spicer, whose work has been published both here and overseas.

His results showed that the Type A personality has about the same prevalence here as in the United States.

Type A behaviour, "the aggression and the running around", however, is not quite as common here.

Spicer monitored extremes of Type A and Type B both at home and at work to find out more about the relationship between the personality type and heart disease.

Under stress, the Type A heart reacted more violently and peaked at a higher level than Type B.

"The heart of a Type A man takes more of a battering and reacts more violently to stress," Spicer told *NBR*. "The results were confirmed by laboratory work under carefully defined conditions."

Typical "As" (according to M Friedman and R Rosenman, authors of *Type A Behaviour and Your Heart*) must have the last word in conversations and always move, walk and eat fast. They often emphasise words unnecessarily and are fond of telling others to "get on with it".

They can't stand waiting and feel guilty if they're doing only one thing at a time — so they doodle, pace around or excuse themselves for phone calls while they're talking to you.

"Type As" are keen on talking about themselves and shift the conversation accordingly. They feel guilty about relaxing and find it impossible to enjoy natural beauty for its own sake because they always have other things on their minds.

Schedules and calendars rule their lives, with no time allowed for things to go wrong. With clenched fists, nervous laughs, tight bodies "Type As" feel bound to challenge each other when they meet.

Most men under 60 who suffer heart attacks have "Type A" characteristics, some writers claim. Wayne D Dyer (*Pulling Your Own Strings*, Avon, 1979) sees it as part of a wider syndrome, where businessmen are victims of the institutions they work for, slaves to excessive loyalty, who treat company policy like the law of the land.

To get rid of the belief that the job takes top priority, Dyer tells "Type As" to slow down on walking, talking and deadlines — learn to enjoy life a moment at a time.

Business, he points out, owes nobody any personal rewards. A business is there to make a profit and perpetuate itself by paying the people who have taken the risk of financing it, or who have manufactured the products and delivered the services.

People who want rewards (other than financial) for loyalty and long service should forget it. "The institution will attempt to deal with you in as utilitarian a fashion as possible. It will pay for your services until you can no longer deliver the services it needs, and then you will be dismissed in as inexpensive a manner as possible."

This is no sour view of business, but simply a description of the way things are, according to Dyer. When you sign on with the company, this is the implied agreement.

"Even if it has such things as pension plans, profit-sharing, incentive programmes, or any other devices designed to hold on to employees, the fact remains that when it doesn't need you any more you will be replaced, and every effort will be made to get rid of you as cheaply as possible."

Be ungrateful for that gold watch you get after a lifetime of devotion beyond the call of duty — you did your job and got paid for your services, according to the terms of the contract.

Devotion beyond these requirements — sacrificing personal goals and family life for the company — are victimisation, in Dyer's view — "because institutions do nothing but continue on, whether you kill yourself for them or simply see them as ways for you to make your living."

People given to self-destructive, Type A behaviour, according to Dyer, get into it through choosing to be victims — "by misplacing loyalities on to institutions and by valuing things and money over people."

The following six categories are the kinds of behaviour that may be lethal if you practice them as a regular part of your life:

- Intense striving — pushing yourself, wanting more, never feeling satisfied with the present;
- Competitiveness — always judging your own worth on your performance in comparison with others;
- Deadline urgency — the clock and the calendar rule your life. Those self-imposed deadlines turn you into a twitching wreck as they approach and the job still isn't done.
- Impatience — you're always urging others and yourself to speed up. You're driven wild by traffic jams, slow talkers, unruly children and "inefficient" colleagues.
- Abrupt speech and gestures — as well as wanting others to speed up their speech, you're a fast talker yourself.
- Excessive drive and over-commitment to the job — you place more emphasis on tasks, jobs, things and dollars than on human relationships.

To beat Type A behaviour and stop being a slave to the company, Dyer's suggestions include shifting loyalty from the company to self and family. Give yourself more time, privacy and holidays.

If you hate committees, he suggests, politely refuse to go on them — or if you do, just go along and don't say anything — creatively eliminate these "little nuisances" from your life.

Do without your watch and diary occasionally and just for a day eat, sleep and talk when you feel like it, not when you are supposed to.

Take a relaxed, non-competitive attitude to as many activities as possible.

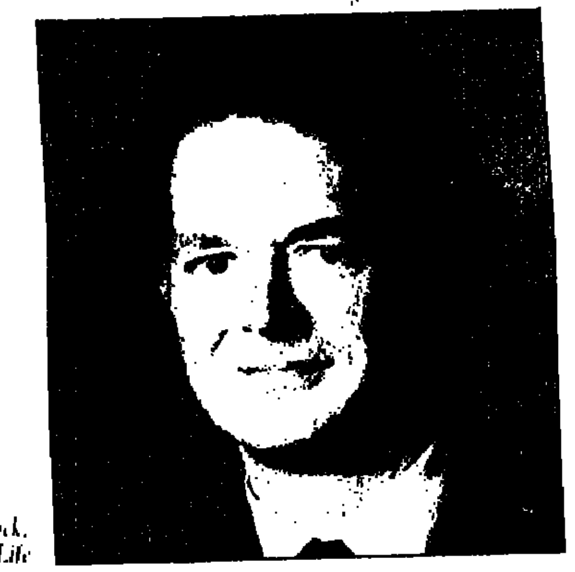
Don't be seduced by the "props of power" — titles, promotions and bigger desks — symbols of worth which are meaningless in comparison with an inner conviction of your own worth.

Finally, tell yourself that you're never going to retire. That way, you'll leave your job still productive and useful.

A SPECIAL REPORT FROM GOVERNMENT LIFE

$59,400,000.00

"The highest ever bonus distribution allotted to Government Life Policyholders"



Hutton Peacock, Commissioner of Government Life

"This is the highest sum ever added to our policyholders' cover

The bonus allotment this year amounts to at least $33 in additional cover per $1,000 insured plus past bonuses on all current Whole Life policies. In addition, for the first time we are paying a special additional bonus of 15% of the total bonuses on any policy if it matures or becomes a claim during the next twelve months, from 1 July 1981.

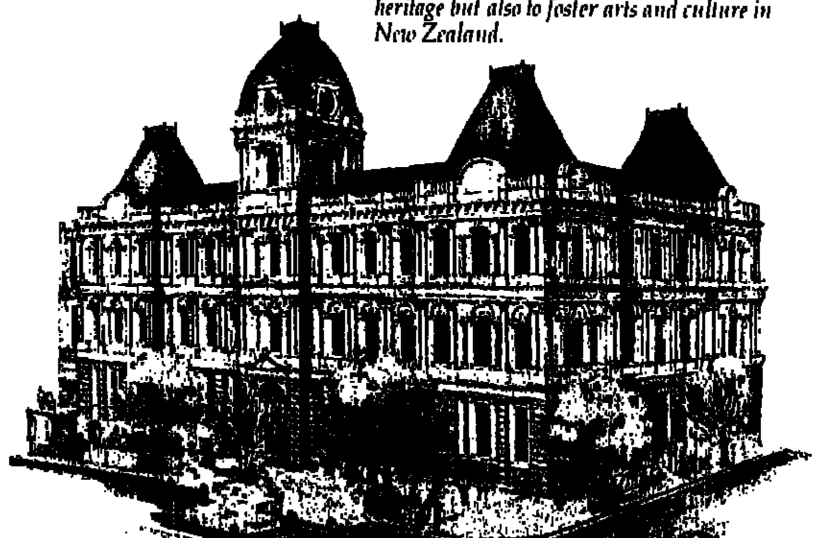
There are several reasons for this outstanding performance.

All our investment funds are professionally invested to maximise yield within acceptable risk levels. Our capable and expert fund management team carefully research market trends for the highest possible return.

All Government Life funds are invested in New Zealand. No money goes overseas. **Farming, energy, tourism, housing finance for policyholders** and all matters relating to a "better New Zealand" are given special consideration in our investment strategy.

Government Life is the only fully mutual life insurance office owned by the people of New Zealand. Our policyholders are our only "shareholders". All profits are returned each year in the form of this additional bonus cover.

The Old Auckland Custom House. As well as having a sound investment Government Life is pleased not only to be able to preserve part of our heritage but also to foster arts and culture in New Zealand.



Our Hamilton office, the tallest building on the skyline.

Financial Results for year ending 31 December 1980

GROSS INCOME	1980 $m	EXPENDITURE	1980 $m
Premiums	56.4	Policy Claims	40.5
Investments	55.8	Taxes	5.0
		Administration	13.9
TOTAL	112.2	TOTAL	59.4

Our Funds are invested in:

	$m
Properties	109.3
Loans on Mortgage, etc.	209.3
Government and Local Body Loans	169.8
Company Shares and Debentures	88.1
Net Current Assets	7.1
Total funds	583.6

We've changed more than our symbol at Government Life

Our symbol and corporate indentity programme exemplifies our commitment to our policyholders. We're building on the foundation of a proud history and heritage and looking ahead to change with the times.

We are constantly seeking new and better ways to serve New Zealanders and their needs — with progressive ideas, sound management and innovative products.

Government Life has a dynamic new marketing direction and innovative management.

As part of our new marketing approach, we've recently conducted extensive research throughout New Zealand to determine current consumer needs and attitudes.

The results of this research will lead to some dynamic new products designed to meet the changing lifestyle and needs of New Zealanders. The changes we're making at Government Life will no doubt have a profound effect on the entire insurance industry in this country.

Government Life's Advisory Board is made up of industry leaders from around the country.

Long term strategy is an essential aspect of our overall marketing strategy and growth plans. In addition to our marketing team and Executive Committee, we also have the benefit of a unique Advisory Board. This Board is comprised of business and industry leaders throughout the country, who assist in monitoring the changing economic climate and help us in our future planning and direction.

Government Life is also in the process of recruiting additional professional individuals to join our team of representatives. Our new training program is intense, challenging and produces impressive results — our representatives are highly qualified to give the best possible service to our policyholders.

This year is only the beginning

Our outstanding financial results and accomplishments during the past year prove that Government Life is on the move. And we'll continue to keep looking ahead — with sound management, progressive ideas, and a commitment to meet real consumer needs in a challenging world.

This year is just the beginning of the new Government Life.

Hutton Peacock

Hutton Peacock, Commissioner

Books

Unionism's past seen as a portent for its present

by Gordon McLauchlan

TRADE unionism is increasingly regarded as a social affliction inhibiting economic growth in New Zealand and restricting the individual freedom of employees rather than advancing their material prosperity.

So it is appropriate that a popular, pictorial history of the union movement should be published (Methuen, $24.95) to help readers achieve a perspective of how unionism has arrived at the condition of here and now.

Toil and Trouble — subtitled 'The Struggle For a Better Life In New Zealand" — has been put together by two professional librarians — Bert Roth, librarian at the University of Auckland, and Janny Hammond, formerly in charge of the Dan Long Memorial Library, the first in the country to be devoted to trade union material. Roth is widely accepted as the country's leading trade union historian.

Toil and Trouble surmounts the usual failing of books of this type in which the text is completely subordinate to the pictures and often irrelevant to them.

Roth and Hammond have managed to milestone their way through trade union history with a succinct text on an issue of the day surrounded by pertinent historical pictures.

This means that issue by issue the reader can plot his way through history from the first insistence on an eight-hour working day (at Petone in 1840) to the arrest of the picketers at Auckland International Airport earlier this year.

The coverage is fairly complete, if necessarily superficial, and any interested businessman can absorb in a few hours a fairly sound understanding of what part unionism has played in the formulation of contemporary social conditions and industrial relations.

That understanding — that unionism's contribution has been historically valuable to New Zealand society — will perhaps not lead a reader to an empathy with union style today but it will convince an open mind that unionism can be adapted to constructive and productive ends.

The first recorded wage dispute was in 1821 when, according to a missionary from the Bay of Islands, "The native sawyers immediately struck work, and demand payment for their labour in money, as was the case in England, or else in gunpowder."

But from then on it was one Pommie stirrer after another who fought for better working conditions. Samuel Duncan Parnell refused to work as a carpenter on arrival in Petone in 1840 unless it was for full pay over only eight hours a day.

He won his case but the same issue was fought in various parts of New Zealand over many years until it became enshrined in law.

The first unionism boom was at the end of the 1880s. Membership rose from 3000 members in 1888 to more than 40,000 by the middle of 1890. It slumped again after the maritime strike was broken in the following year.

The vituperation and bitterness of the great depression of the 1930s is faithfully recorded, including the now little-remembered hunger march that started from Gisborne and ended in Wellington.

There is a look too at the catastrophic 1951 waterfront strike which has been responsible for some industrial problems in this country even today.

The great contribution of a book like this is the flavour it can give to history for the casual reader who will never wade through a profound tome.

I hope *Toil and Trouble* is widely read by unionists and employers because if it points up one thing it is that intransigence by one side or the other on any issue is the one thing that ensures they all lose.

Government administration

Facom lands NZPO computer order

by Stephen Bell

JAPANESE-based computer company Facom has landed a Post Office order for one of its 'M' series IBM look-alike machines.

The processor will be sited at Palmerston North, and will be used for toll-call billing, handling an expansion in volume of a task until now processed on ICL System/4 machines in Wellington.

There is no immediate plan to replace or expand the ICL machines, which also operate the savings bank network and play a part in the collation of the electoral rolls.

But ICL must nevertheless be feeling the wind of the Facom purchase, particularly with the loss of Tasman Pulp and Paper fresh in its minds.

The Post Office will give no information on the machine yet, other than the bare confirmation that the order has been placed with "a Japanese company". Facom is also still declining comment at present.

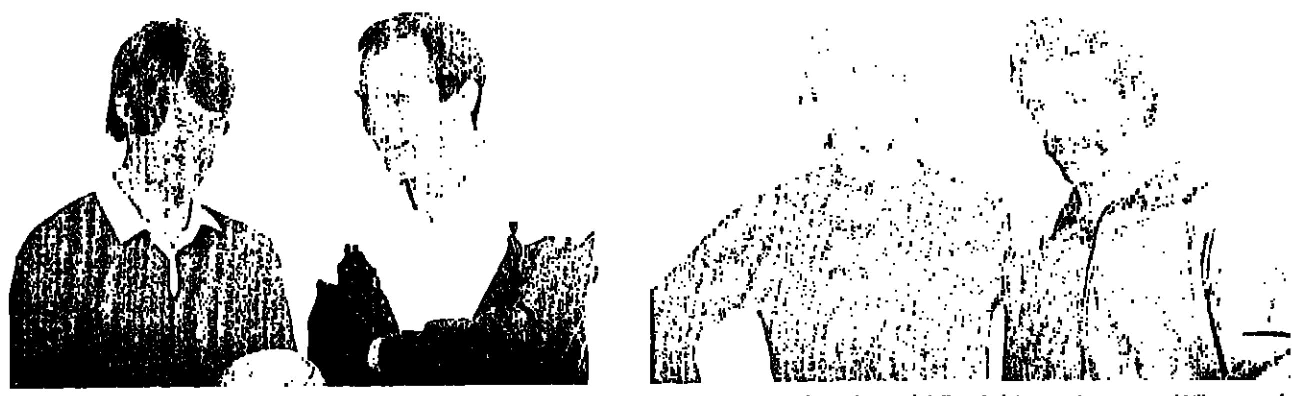
The toll billing computers process information from "tickets" issued by automatic monitoring equipment at the exchanges. Co-incidentally, the Post Office has also placed an order for such monitoring equipment in Palmerston North, with another Japanese supplier, the Nippon Electric Company.

But NEC is an established supplier of such hardware to the Post Office.

Retailing

Sporting superstars sell themselves, by mail order

by Allan Parker



Smiles all round as Leslie (second from left) scores a marketing coup with a little help from All Black friends Hewson, Wilson and Fraser.

GOD, Queen (Di?) and Country are, for most of us, embodied in our national sporting heroes.

We demand nothing less than Winged Victory each time our national sporting representatives take to field, pitch, court, diamond, and pool.

Little matter their personal sacrifice; they are, after all, an extension of our own fragile egos. Their self-gratification and our adulation are rewards enough.

Of course, the Borgs and the Palmers of the international sporting arena play by different rules.

Athletes good enough to reach professional status make careers of their playing years; for a few, millionaire status is the ultimate goal.

But in New Zealand's rigid amateur world, in which the game and the fame are claimed to be riches enough for any athlete, the high stakes of professional sporting superstardom are even rarer.

When ageing limbs and stamina begin to dominate heart, most of our top athletes return to the quiet obscurity they knew before their rise in their chosen sport.

But, as the professionals show, superstardom is a highly-marketable commodity — selling the personality is common practice abroad, where Bjorn Borg can sell his head to a sweatband manufacturer for thousands of dollars.

Yet it remains a curious phenomenon of New Zealand life that our top sportsmen must remain humble in retirement as well as during the playing years at the top — the glory, we insist, should be enough for you.

The pressures of society are pervasive, persuasive and, for the most part, subtle. But they can be blunt; old-echelon administrators, former players who never had the vast television audiences who create today's superstars, remain rigid that, sorry old boy, the game's the only thing.

The debacle over memoir-publishing by New Zealand and other international players illustrate the difficulties these players can face.

But, as Wellington cricket captain (and selector) John Morrision asks: "Why shouldn't sportsmen do it themselves, sell the personality thing?"

His answer: Why not?

Proving the point, Morrison and former All Black captain Andy Leslie have joined business forces in a marketing venture that could well prove a trend-setter for other top athletes.

Both are already in business. Leslie works with another former All Black great Bob Scott, in a menswear shop in Petone. Morrison, after some years as a full-time director of the New Zealand Cricket Foundation and, more latterly, as Cook Wines representative in Wellington, has been associated with Rusco Sportsworld Ltd, a venture between himself and travel company Russell and Somers.

The resulting Andy Leslie Rugby Post is a joint mail order promotion to sell a range of sports clothing and uniforms for New Zealand athletes, be they national representatives or 7-year-old club rugby players.

Through Morrison's travel links, the partners also hope to become involved in arranging the travel for the increasing number of sporting club members who combine an overseas sports tour with sightseeing.

In the last fortnight, several thousand four-colour brochures promoting the Rugby Post have been mailed to clubs and associations throughout New Zealand. With no national set-up, mail order became the obvious solution.

But, as Morrison notes, the promotion and material had to be different to mark it out from the plethora of unsolicited mail that goes through the postal system. Their solution was simple — "sell ourselves."

With a little important help from close friends and current All Blacks Stu Wilson, Bernie Fraser and Alan Hewson, Leslie and Morrison and the three rugby stars model the clothing range in the brochure themselves.

The cover is a dramatic action shot of Wilson in full cry against an Australian team.

Says Morrison: "With that cover, we believe every person interested in sports — not just rugby players — will pick it up and look inside." Where the reader will see Leslie, Morrison, Fraser, Wilson and Hewson, among others, smiling warmly in the sports clothing range of products.

The personality side of the marketing thus becomes its major role selling point, given an air of authority by its use of current All Blacks.

It should be noted that the three — Wilson, Fraser and Hewson — will not be paid for their modelling debuts. They offered their services as friends — handy friends indeed!

The All Blacks' relationship with the business partners raises another important part of the promotion; the personal contacts players at the top build up throughout the country and even abroad during their years as national or provincial representatives.

"We've built up a hell of a lot of contacts around the country," says Morrison. "There's probably not a town in New Zealand where I couldn't ring someone up for a beer."

Leslie agrees: "I can get on the blower and talk to anyone. New Zealand is also a relatively small place and personal contacts are wider."

The two are quite convinced that the "personality thing" is vital to the success of their operation. They are equally convinced that they have every right to use their own fame gained as sporting representatives to promote their business.

"Sportsmen and women go without a hang of a lot to pursue their sport," says Leslie. "You spend a lot of money; it's not easy to see half your pay-packet go on trips each week."

Also, when players attain representative status, their commitment is time. Morrison, for example, reckons he will have not one spare day without playing cricket, selecting or working during the coming October - March cricket season.

But, of course, his travelling and contact with other players, administrators and fans will now give him an opportunity to spread the Andy Leslie Rugby Post gospel

Neither is complaining. Says Morrison: "I'm getting nothing from it but I wouldn't complain. It's a freedom of choice and it extends your life."

And Leslie: "I didn't feel deprived as a sportsman; I'd do it all again. But you've got to make a living — you don't get many prizes for spending 10 years as an All Black and spending the rest of your life queuing up at the soup kitchen."

Like top sportsmen, successful businessmen must also perform. Both Leslie and Morrison recognise this and admit that although the personality aspect — the fame game — makes initial contact easier, they must perform to customer expectations.

"If you're happy with a person you'll go back and buy your second car from him, won't you?" says Leslie.

They also believe sportsmen have just as much ability to become successful in business. Possibly more so, argues Morrison, because "if you've shown the determination to get to the top in sport, then you've also shown you have the drive and ability to run a business."

Their campaign has certainly been carefully devised. During winter months, the former All Black skipper will act as frontman and in the summer months the cricketer will fill that role.

AMP booklet explains insurance industry to public

by John Sloan

A MAJOR insurance company has taken the initiative with a booklet that explains the industry's operation to the public.

The AMP Society's *Buyers' Guide to Life Insurance* comes at a time when public dissatisfaction with insurance is being realised within the industry itself.

A recent article in the Australian Reinsurance Company's publication *Experiodica*, for instance, reported there was insufficient information about insurers, who were often criticised by the public. "There is a general lack of knowledge of the in's and out's of insurance. An analysis . . . revealed in most cases basic shortcomings in the way the insurance concept, the overall economic significance, the various branches of insurance . . . were explained. In view of these facts, the insurance industry's efforts to inform the public should be increasingly concentrated on the field of education . . ."

The country referred to was Germany, but the comments are uncannily applicable in New Zealand.

The AMP's guide had its genesis in Australia where it was introduced to inform AMP policy-holders and the general public on the various types of insurance available with comments on the advantages and disadvantages of different types of covers.

Don Paviour-Smith, AMP's sales manager for New Zealand, told *NBR* that the guide had received a tremendous response from the Australian public, which welcomed an objective explanation of life insurance for the man in the street.

Naturally the public's response to the AMP's guide was soon reflected in increased awareness of life insurance and a corresponding increase in sales.

Paviour-Smith conceded that the AMP's initiative would also mean more sales for other life offices, but said "that always happens if the opposition have a good advertisement — the AMP also benefits." (And since the AMP has such a large share of the market — some 25 to 30 per cent — it also gets the lion's share of any spin-off from the opposition's advertisements.)

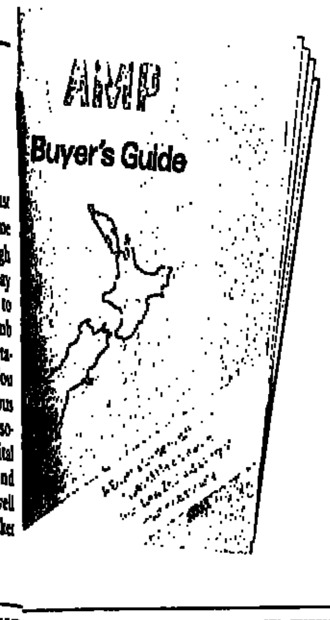
But what's in this much lauded Buyers Guide to Life Insurance?

- There's a simple introduction which stresses people need life insurance policies which fit their needs and which they can readily afford.
- The basic protection of life assurance is emphasised, ie its paramount intention is to protect people's lives rather than secure a top competitive interest rate.
- The three main types of life insurance policies are explained in plain English — term insurance, whole of life, and endowment insurance. Variations in the basic life policies are also explained.
- And in a section headed "Who Can I Believe?" AMP reminds people: "In a competitive situation you would expect each life office to present its policy in the most favourable light. It is therefore important that, when comparisons are made, you are sure that like is being compared with like. In deciding whether policies are comparable, care should be exercised to ensure that they contain essentially the same benefits."
- There is also a separate but similar guide for "Children's Policies" which concentrates on topics such as "which is the best policy for my child . . . special features of children's policies . . . income tax exemptions . . ."

Paviour-Smith said that the initial response to the guide in New Zealand had been tremendous with requests from people flooding in. He also said the guide would be popular with schools for educational purposes.

The AMP's advice to those about to be seduced into cancelling their life insurance policy in favour of another one is, in a word, "Don't". It recommends caution.

- "It rarely makes sense to cancel a perfectly good basic life insurance policy which you may have started some years previously! At some time in the future you may be approached with a recommendation to cancel your policy in favour of a contract with another company. You should be aware of this type of practice — a practice known as "twisting". Because further initial expenses will be payable under the new policy, it is quite possible that the only person to gain will be the person encouraging you to cancel your policy. You could well be the loser.
- "It does not often pay to buy "the cheapest" — in life insurance policies or anything else of quality.
- "The results of a 'participating' or 'with profits' policy will depend heavily upon the company's management skills, efficiency and investment results over a long period of time. Projected results which are based upon the current year's bonus or dividend rates are not a firm guide to the likely performance in 10 or 20 or more years time. Predicting the future is a haphazard affair and we may sound a warning about some forecasts — predictions of high returns which, in practice, may be difficult or impossible to achieve. A sound rule of thumb will often be 'does the quotation look reasonable?' You should be particularly cautious about quotations involving so-called terminal, final or capital appreciation bonuses and dividends — these could well disappear with stock market fluctuations.



Insurance

ALP hints at nationalising life offices

THE investment policies of life offices in Australia would facilitate their nationalisation should the Australian Labour Party gain government at the next Federal elections, an ALP senator has suggested in Parliament.

In a series of questions, the ALP may have foreshadowed significant and unwelcome changes to legislation controlling the Australian life insurance industry in the event of a Labour government in Canberra.

The ALP spokesman, Senator Watson, said the life offices each day invested millions of dollars on securities listed on Australian stock exchanges. He asked Treasurer John Howard if there was any way that a portion of these moneys could be redirected to overcome the country's housing construction problems, and to provide finance for small businesses.

He further asked whether such a redirection would lead to a reduction in interest rates, thereby lessening pressures on the demand for money.

Since 1961, life insurance companies in Australia have been legally obliged to invest funds in accordance with what is commonly known as the 30-20 rule (to invest 30 per cent of their funds in Government bonds, with 20 per cent in Federal Government securities). The major life offices mostly have been strongly opposed to this requirement, and have campaigned vigorously, albeit unsuccessfully, for its abolition.

Apart from the 30-20 requirement, replied the Treasurer, the Federal Government had no way under the existing legislation to direct the form of life office investment, in the manner suggested by the ALP's questions.

He said that with that exception, the life insurance industry in Australia was free to invest in the interest of policyholders on the basis of the best commercial judgment, and to require any further redirection of funds would cut across the responsibilities of the life offices to their policyholders and shareholders.

In response to the Treasurer's reply, Senator Watson asked whether a continuation of the life insurance companies' current investment policies would lead eventually to a situation in which a high proportion of stocks in Australia would be owned essentially by the life insurance industry.

He then said: "With an alternative government, would this not make nationalisation of the whole industry a relatively simple matter?"

The life offices in Australia might well take the view that Senator Watson's query was a rhetorical question, indicating the drift of the Labour Party's thinking on life insurance investments.

These are Australia's greatest single source of long-term investment capital, and vital to the nation's development of local ownership and control of its natural resources.

By March this year investments by life insurance companies on behalf of their policyholders exceeded $A11,750 million.

The Life Insurance Federation of Australia said the figure represented an increase of $A1510 million over the corresponding figure for the previous year, an increase which served to emphasise the importance of life insurance in the generation of capital for development.

Apart from their very substantial shareholdings in companies listed on the stock exchanges, life companies were direct investors in iron ore, coal and bauxite, and the search for oil and gas.

The association pointed out that about 4½ million life insurance policyholders and about 2 million members of superannuation schemes were indirect owners of ordinary shares, and said that the life offices' total holdings of about $A2500 million in shares gave policyholders a stake in many Australian companies.

The ALP economics spokesman, Ralph Willis, agreed that the life industry plays an important role in the provision of capital and security, but took strong exception to comments by LIFA that a Federal Labour Government was not in the interests of insurers.

He said: "I have said nothing which could indicate that a Labour Government would look harshly on the life insurance industry."

At the last Federal election LIFA's executive director, Nicholas Renton, said that Labour's policies in the insurance field while in office from 1972-75 had caused the life offices grave concern.

During that time it had planned to use insurers' funds to finance the Government-controlled Australian Industries Development Corporation. Capital from the life offices was also to have set up a national investment fund.

Commenting on the ALP's platform for the life offices Renton said: "It was obviously aiming to allow these government bodies to compete with private insurance companies on an unfair basis."

Office equipment

'Trad' names typecast into electronic market

WHILE word processors and offices-of-the-future grip many imaginations, the activity in the traditional typewriter world has also been dynamic as the old names position themselves for a place in the electronic typewriter market.

The electronic typewriter falls between the standard electric and the wordprocessor, offering the benefits of both without the high computational image of the word processor and without the rustic image of the no-frills electric standard.

Within New Zealand the typewriter distributors have positioned themselves over the last 18 months in quite a dramatic corporate reshuffle.

Germany remains the industry leader through, amazingly enough, Volkswagen.

VW offers in New Zealand Imperial, Triumph, Adler, and Royal. VW bought out Litton Industries, which controlled *Adler and which made the* other typewriters, too. Almost simultaneous VW-Adler bought out its long-serving New Zealand agent and started a New Zealand company — Adler Business Machines NZ Ltd.

Most of these typewriters still carry the LI, for Litton Industries, insignia.

The individual brand leader is Brother, the Japanese machine, which stops at the standard electric. There is no electronic machine yet. Brother seems content to market at the top of its line a self-correcting golf ball compact.

Meanwhile, there has been some fast movement, too, on the Olympia typewriter brand which has gone through revolving-door changes of agent over the last two years.

Even when it was the world's largest selling typewriter the German Olympia brand has never done very well in New Zealand. The agency has now finally settled with Monaco Distributors, the Auckland firm that has enjoyed such a spectacular success with the Casio calculator.

From the standard electric typewriter base the rush is now on to develop the market for the electronic typewriter. The company with the widest capability in sophisticated typewriting here is Olivetti, *handled by Armstrong and* Springhall.

Armstrong and Springhall now offers ex stock no less than three models of the Olivetti electronic typewriter: the ET121 at $2900, the Olivetti ET221 at $4500, and the ET231 at $6500. The middle-range model can be fitted with a screen and magnetic disc holder giving it a strong word-processing capability.

The Olivetti models are fitted with an astonishing range of frills and extras. The standard daisy wheel contains one hundred characters — about double that of the golf ball head.

Among the daisy wheel *characters are German, French*, and Spanish accent signs and even the pound sterling symbol. The machines can also print in reverse and two of the models offer a built in strip video screen for holding typed words before flicking them on to the paper.

Along with the Adler Se1010 typewriter, the Olivetti range features a control board which flashes on which functions are being used at any one time — lower case, upper case, and so on.

The most interesting thing about the electronic typewriter market as it claws for a foothold in New Zealand is that it contains several mysteries. For example, the world's most highly publicised electronic typewriter, the one backed by more investment than any other machine in sight is nowhere to be seen.

The Qyx typewriter is not offered for sale in New Zealand. No agent has been chosen. The Qyx representatives have visited New Zealand. They have allocated an agency in Australia, to Datronics.

Qyx represents the nose of Exxon's drive into the information industry.

The other mystery is why IBM sticks with its single memory - style of Selectric typewriter with just some in memory while the other companies are offering machines with keyboards that resemble aircraft control panels.

IBM is declining to join the daisy wheel impactor with hundred symbols/characters and is sticking resolutely with the golf ball.

One of the reasons for this is obviously the early IBM discovery that the typists have a far bigger say in which typewriters they use than was imagined at first. When IBM first began marketing its Selectric the sales message was pitched as much at the girls as their bosses.

The grey giant now seems to feel that by refusing to fill its typewriter with extras and complicated keyboards that it is retaining their loyalty. The IBM strategy seems to be to keep the Selectrics resembling traditional-style typewriters as much as possible.

For example, while other manufacturers of electronic typewriters have been at pains to quieten down the clatter of typing, IBM has been quite content to let the machines rattle on with no silencers.

The IBM strategy is now fairly clear. It doesn't want to frighten away typists by presenting them with a typewriter that looks like a computer or a word processor. IBM is obviously very suspicious of the soft middle ground between the top end of the electric market and the *lower end of the word process*ing market.

Aware of this problem themselves the main electronic typewriter vendors, such as Armstrong and Springhall and Adler, have all embarked on strong marketing campaigns. The Adler campaign is pitched very strongly indeed at the typist herself through radio spots on breakfast sessions beamed at the Adler girl.

The spots point up the German origins of the Adler range, presumably to invest the machines with the glitter of German technology. Both Armstrong and Springhall will also encounter resistance from the multinational companies here which often tend to take IBM Selectrics as part of an international procurement policy.

"There is no way we can advertise our way out of this problem," notes Adler General *Manager* John Cooper who signed on last year after 20 years with British Office Supplies. "We are just going to have to knock on a lot of

Industrial relations

'Sweated labour' union claims over new factories bill

by Ann Taylor

THE industrial road is being further pot-holed by the bumpy passage of the Factories and Commercial Premises Bill, which purports to legislate for the health, safety and welfare of *workers but has been labelled a* "return to sweated labour" and "a draconian piece . . . that sets the industrial clock back 35 years" by unions concerned about its contents.

Under the bill, provisions for ordinary working hours and overtime would be removed and factories would no longer *have to register with the* Department of Labour before they started to operate.

But union concern is centred on the removal of requirements that outworkers — people who work at home — be registered with and inspected by the Labour Department.

The Factories Act 1946, "the safety net through which no worker could fall", and the Shops and Offices Act 1955 are consolidated in the new bill, which will be debated and voted on clause by clause when the Budget debate is over.

The bill, the end result of deliberations by two select committees, "has tidied up a number of areas," said Len Cope, chief inspector of factories, whose 200 colleagues bear the brunt of union scepticism.

The unions argue that the inspectorate, which polices industrial legislation, is understaffed. Rather than increase the number of inspectors, the bill is designed to make their task less onerous.

Cope said the dropping of provisions for outworkers was a political decision.

"The department just put up the factors for and against," he said — but he acknowledged the inspectorate had problems *locating and inspecting out*workers. "And we'd be duty-bound to say we want more staff, but we've got enough to do the job that is required of us."

The number of licenced outworkers has decreased from 1200 in 1970 to 627 in 1980, reflecting trends in their primary employer, the clothing industry.

The unions point out that limitations on mobility caused by the fuel crisis and the new technology have the potential to isolate more workers at home. Handicapped people often find work at home and the electronics and plastics industries are employing increasing numbers of outworkers.

In New York City, a recent *Washington Post* article reports, the number of factory sweatshops has multiplied 15-fold over the last 10 years. There the workers are immigrants, unable to find legitimate employment; in this country, they are primarily women.

A survey of outworkers in the clothing industry done last year by the women's advisory committee of the Vocational Training Council found that the majority of outworkers are not registered by their employer with the Labour Department and that few are union members.

The VTC paper lamented the passing of the old regulations, which it said "were intended to ensure that labour conditions and standards of homeworkers are, as nearly as possible, identical with those of factory workers". The regulations ensured that premises were inspected, holiday pay paid and specified payments for power use.

"Although many employers observe the principles of these provisions the removal of the clauses makes it impossible for unions to protect workers from unscrupulous employers," it said.

The unions know outworkers are an isolated and unknown quantity but do not see that as reason for removing protective legislation.

The FOL wants, at least, a clause allowing for the notification and agreement of unions before the employment of out*workers and a requirement that* employers record the number and nature of outworkers on their books.

The FOL bases its arguments on the fact that the new bill specifically excludes coverage of cottage industries. Because this clause has been inserted, it would seem logical that coverage of true outworkers should be specified, the FOL argues.

Ordinary working hours and overtime provisions have been dropped from the bill, which consolidates the Act which legislated for the 40-hour week.

The Labour Department argues that the bill is now one for health and safety and should not include legislation on hours of work.

The Industrial Relations Act does specify a 40-hour, five-day week, and for unions not covered by it "there is nothing to stop them obtaining award coverage," said Cope.

The unions argue that the bill breaks down the concept of the 40-hour week, and increases the flexibility of shift work and penal payments. Awards will have to pick up where the legislation finishes and hours of work will sit uneasily in the bargaining arena.

"There is a trend towards an erosion of basic standards for workers and a tendency to push these matters in to the industrial arena of award negotiations," the FOL said in its submissions.

Whether this will open or close the doors on union moves to a 35-hour week is a moot point.

Employers Federation research director Bill Poole does not think it will have any effect.

The unions believe it will affect them in two ways: Opening the door for negotiation on hours; or closing the door on future legislation for a 35-hour week.

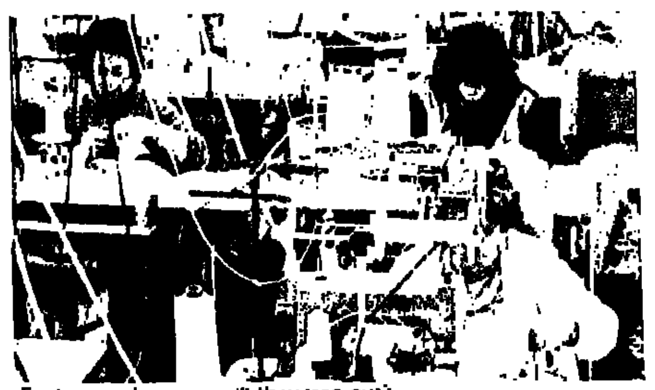
The bill removes the requirement that factories register before they start to operate. Cope told *NBR* the inspectors "would rather see a factory operating. Then we get a better view of what is going on and what is safe or not."

He said the department will have two registers — one of registered and one of unregistered factories.

The inspectorate looks at the more potentially dangerous factories every 12 months and the others every two years and acts on complaints and does accident investigations. The unions complain that shops and offices are seldom inspected.

The bill does not bind the Crown, and the Combined State Unions are concerned that the health and welfare of their offices will not be adequately inspected.

Cope said that the inspectorate would duplicate the work of the State Services



Factory workers . . . will they lose out?

Commission's accommodation *board, which sets standards for* physical working conditions.

The board responds to any individual requests but PSA representatives point to examples where the "reactive" role of the board has been slow and led to strikes before any action has been taken.

Some of the additional safety *requirements the CSU wants* included in the bill are clear labelling of chemicals, definition on "harmful radiation", guidelines on temperature and increases in airspace for each worker.

Requirements that the employers want removed are that workers be provided with seating. Poole pointed out that chairs clogging up factory walkways present a considerable fire hazard.

He is concerned with the bill's provisions for health and safety committees. "If these are used to wrest control from the employer it could have far-reaching effects, implications which have not been solved after several debates at the ILO."

Cope said some of the committees, which would be representative of workers and management, and would be set up by the department, are good and "some are bad.

"If an industry has a bad safety record then we'll implement them, but it is difficult to lay down regulations for any one industry, let alone a whole variety," he said.

The unions, which welcomed the introduction of the committees, still feel they have their hands tied by the department's role in setting them up.

The Employers Federation, in its submissions warns that the format for the committees "is wide open, lacking guidelines and so creating considerable executive powers without controls over those powers".

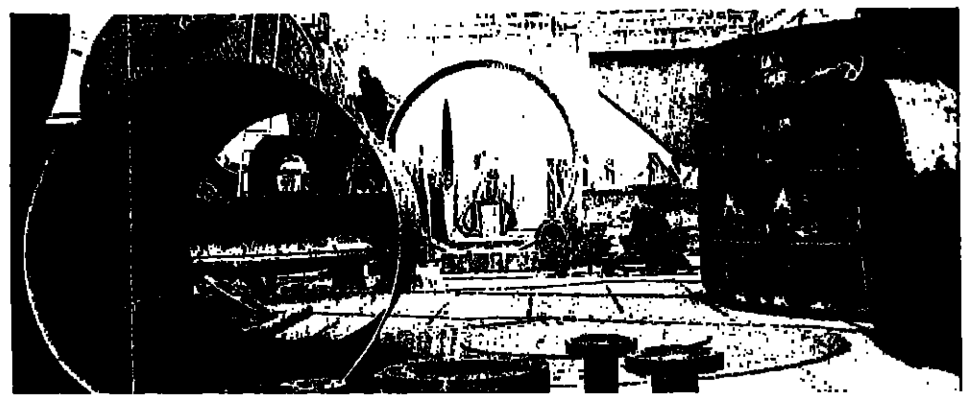
The unions label it a "return to sweated labour"; the Employers Federation say in submissions "in some respects we are still considering a patchwork, backward-looking bill when it would have been better to have developed an adequate philosophy on health and welfare and written more positive legislation around that".

Maybe next year will prove third-time lucky for the labour and education select committee.

Resource development

Engineers fear they won't get their share

by Allan Parker



EVIDENCE that the heavy engineering industry still faces a hard battle to secure contracts for the major project developments has been sent to project developers, Government departments and Cabinet Ministers.

The evidence, accumulated by the Heavy Engineering Research Association (HERA), shows that work tonnages to be completed by the end of this year will be less than 37 per cent of the total estimated just 18 months ago.

At that time, a Liquid Fuels Trust Board study into construction manpower demands in New Zealand estimated that the heavy engineering industry would have undertaken about 18,500 tonnes of work associated with the major project developments.

But, HERA marketing research manager David Beard notes in a new report, "it is now estimated that less than 7000 tonnes will have been fabricated by that time . . ."

A continuing concern for the heavy engineers is the "significant" slippages which have already occurred on many of the projects.

The industry, battered by a depressed economy in recent years, has experienced its lowest level of activity for some 16 years during the past 12 months.

Work from the proposed major projects is desperately needed by many companies, which also fear the slippages will compress the procurement period between contract and site construction.

"However, of the expected demand arising from major projects in the 1981-86 period only 20 per cent can be considered as being definite at this stage, the balance coming from projects for which no investment decision has been made," says Beard in the new report.

The report, *The Major Projects and Heavy Engineering Demand and Capacity 1981-86*, is the result of an industry-wide study which aimed to detail the likely impact and size of the projects as well as determine current and likely future capacity.

"During the 1980/81 year the industry is estimated to have consumed about 70,000 tonnes of steel (in HE categories), had a turnover of about $220 million and employed a total of about 5600 people. Capacity for the same year is estimated at about 7.2 million manhours.

"These figures represent effectively no change in real terms from the previous year." The industry expects to be able to increase its capacity by about 50 per cent by 1983/84.

But Beard has issued a clear warning against over-optimism within the industry: "There is a good deal of uncertainty as to whether or not this capacity will be required."

HERA has examined a number of demand scenarios in an attempt to assess the likely impact of project deferment/cancellation or project slippage.

"The results of this examination strongly demonstrate the dangers inherent in planning on the basis that all major projects will proceed and that they will also proceed on schedule.

"Future planning by both clients of the industry and industry members alike must recognise these factors," says Beard.

For instance, cancellation of either of the two base metal projects — the Aramoana smelter and NZ Steel expansion — would have a "substantial" effect on the industry.

But if both were to be cancelled there would be "a major and ongoing impact" as they represent about 70 per cent of the total demand for the "no investment decision" group of projects and 25 to 30 per cent of the total major project demand for the next six years.

Beard considers the historical development of the industry — a wide range of relatively low-volume products — has placed it in a good position to take on a range of major project work because it has developed a general, rather than specialised, capability.

"However, the industry does recognise that it has some limitations in meeting the above criteria and it would be completely unrealistic for it to expect to undertake all heavy engineering work in New Zealand.

The HERA survey asked the industry to assess its own future capacity expectations. The conclusions: "The industry . . . sees itself as being able to react quickly to demands placed on it and . . . could achieve an increase of about 30 per cent over the 12-month period ending March 1982, compared with the previous year. These estimates are consistent with the industry's assessment of manpower requirement.

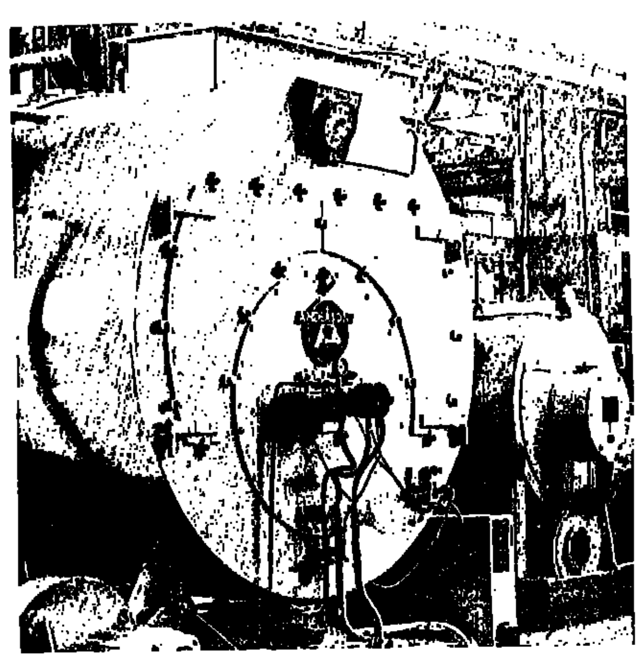
"It should be noted however, that not all of the increased manpower requirements would be reflected in additional recruitment. Virtually all firms saw a degree of overtime working as being essential, with levels of 20 per cent being quoted in some cases.

"It could be reasonably expected therefore that a significant proportion of the projected increase (say 10 per cent) could be achieved through increased overtime working.

"Beyond the year ending March 1982, the increase is more modest."

Resource development

Foundry major beneficiary of energy projects



Andersons handiwork . . . welding a bonanza

by Ann Taylor

ANDERSONS Engineering, of Christchurch, is one of the biggest beneficiaries of the Government's energy developments.

The company won the $7.7 million contract to build the third potline at Comalco's Tiwai smelter in January. Since then it has employed 50 people, who had been in the dole queues, for training as welders.

The scheme, conceived in co-operation with the Labour Department, will employ the 50, primarily young men, for the next year or more. At the end of that time they will be welders with a formal qualification.

They are being trained at the local technical institute and by the Engineering Industry Training Board and qualified people already on Andersons' staff.

They are building the cathode shell assemblies for the 206 pots and cradles on the new potline.

General manager Terry Arthurs is expecting there to be a "lot more work around" and foresees further employment opportunities "if not with us, then in the district".

Andersons, originally a family firm established in 1850, was bought by Ceramco four years ago from the Mason group of companies. Andersons operates independently under a flexible style of management. "Ceramco's executive director comes down once a month," said Arthurs, who describes Ceramco as an "invigorating" group to work for which "gets stuck in and does the job."

For the past 30 years Andersons has specialised in boiler manufacture and heavy engineering fabrications. Its Woolston site comprises two fabrication, one foundry and a machining and fitting shop for manufacture of contracts which it has the capacity to span from design to installation.

The strength of the company, which exports to Australia, Indonesia, Fiji and Papua New Guinea, continues to be "the people who work here," said Arthurs. The 320 employees are "the biggest resource, and we've tried to keep them together and expand slowly." The company is recruiting all the time and has not laid anyone off. Currently it has the highest number of staff it's had in five years.

"Union problems haven't spread to the South Island," said Arthurs, who advises: "When you pay attention to a problem you cease to have one. You have an industrial problem when you forget you have one."

The company's 15 month lead-time for the contract got off to a "messy" start caused by long lead times on delivery of the 7000 tonnes of steel for the potline. Three thousand tonnes was on the Pacific Charger which spent more than a fortnight aground on the heads of Wellington Harbour.

Nine to 12 months is a reasonable expectation for delivery of hardware and specialist materials from Europe — and internal freight charges have added $ 25 million to the bill.

The company's "comfortable order book" includes contracts for the ammonia urea plant and it has tendered for part of the Whangarei refinery expansion. But Arthurs points to the problems which might result from the "boom and bust" syndrome ensuing from the enthusiasm which greets the big contracts. "There are still a lot of industries living out the last days of the 1972 boom. They grew like it was going out of fashion and didn't recognise when things got bad.

"We've spent a lot of time developing our base and sell competitively on the basis that we manufacture well," he said, confident that good contracts will come up in the next year, although "you've got to get out there and get them.

"You don't do it by price cutting," he says, lamenting that "we lose a few."

Ceramco has little contact at ministerial level. Andersons has had seven contacts with Ministers this year, "all but one at their request.

"Our prime concern is with our customers . . . we keep up with changing needs . . . and don't suffer competition, just competitors in the same business," said Arthurs.

His personal changes have followed a winding road through the navy, running a pub and acting as an agent for Hawker Siddley.

In Ceramco's 1980 annual report Andersons is described as "frustrated to a large degree because margins on contracts accepted in past years did not allow for the effects of inflation on overheads. Also, a considerable amount of the works capacity had to be directed, at the company's own cost, to refurbishing LPG tanks to meet re-defined welding standards."

But the 1981 report paints a brighter picture for Andersons "with a number of tenders . . . submitted in connection with engineering work — boilers, pressure vessels and heat exchangers — for other major contractors."

But the report echoes Arthurs' caution, that the foundry is still "dependent on our ability to retain a sound base load for the foundry."

Projects at a glance

THE growth strategy — star of last week's National Party conference — as it is planned to develop between now and 1990, and how it will affect the heavy engineering industry.

In the "positive investment decision" column "Y" indicates decisions already made; "N" projects still awaiting the go-ahead.

Under likely New Zealand heavy engineering industry content, "low" indicates an involvement representing less than 10 per cent of capital cost, "medium" 10 to 15 per cent and "high" an involvement over 15 per cent.

A dash indicates that no attempt has been made by the Heavy Engineering Research Association — which prepared the table — to quantify the local industry's input.

Activity	Project	Construction 1) Timing	Capital Cost (1980 prices)	Positive 1) Investment decision made	Likely 2) NZ heavy Engineering Content
Petrochemical	Marsden Refinery Expansion	1981-84	500	Y	Low
	Chemical Methanol	1981-83	110	Y	Medium
	Synthetic Petrol	1981-85	750	N	Low
	Ammonia Urea	1980-82	73	Y	Low
	LPG Distribution	1981-83	60	Y	High
	Ethane Extraction/Use	1986-88	250	N	-
Base Metal	NZAS 3rd Potline	1981-83	140	Y	High
	2nd Aluminium Smelter	1981-87	650	N	High
	NZ Steel Expansion	1981-86	600	N	High
	Silicon Carbide-Ceramco	1983-85	16	N	-
	Ferro Silicon-Southland	-	120	N	-
Forestry	Pulp Mill - Nelson	1981-83	100	N	Low
	4th Newsprint - Kawerau	1983-85	200	N	Low
	Pulp/Paper - Marsden	1983-86	150	N	Medium
	" " - Northland	-	110	N	-
	Whirinaki TMP Conversion	1980-82	25	Y	-
	Whirinaki Newsprint	1985-90	500	N	-
	Pulp Mill - Otago	1983-85	30	N	-
Power Development	Ohaki Geothermal	1982-87	150	N	Medium
	Ngawha Geothermal	1986-92	150	N	-
	N.I. Thermal	1985-93	500	N	-
	Marsden Coal Conversion	1986-90	-	N	-
	Clyde Hydro	1981-87	500	Y	Low
	Luggate Hydro	1982-89	150	N	Low
	Queensbury Hydro	1987-93	300	N	-
	Gibbston Hydro	1987-93	300	N	-
Cement	Portland Cement Conversion	1980-82	35	Y	-
	Cement Works - Oamaru	1981-84	105	N	-
Other	NZR Main Trunk Electrification	1982-87	110	N	-
	Port Development - Marsden	1985-87	50	N	Low
	Port Development - New Plymouth	1982-85	50	N	Low

Manufacturing

Idea taken to America

by Ann Taylor

WHEN faith in small-sc... high-value manufacturing ... still in vogue a baby incub... was designed and built in ... country.

Inventor Paul Martin's co... pany, Datamedical, "tried ... years to get the technolo... recognised so that we co... establish a manufacturing ba... here". But after rejections ... local medical authorities Ma... tin was obliged to look abr... for customers and market... and manufacturing expertise.

And now, "just to mak... work a little faster," Martin... off to act as consultant to t... Healthdyne Corporation ... Atlanta, Georgia, for at le... two years. He will help it w... tooling and modifications ... the American firm scale... production to between 200 ... 300 units next year. Project... sales, based only on a segme... of the market whi... Healthdyne means to take o... will increase production ye... by year.

Royalties will continue to ac... crue here — to the tune of $1... million over the next five yea... — and Martin's agreement wi... Healthdyne also secur... finance for continued resear... and development.

Two engineers a... Datamedical will contin... working on a micro-compu... monitor for the incubat... which Martin said might b... made here.

Martin thinks his presenc... will enable the local firm to ex... pand, "with a lot more medica... equipment that I will be able to ... push this way and get mor... work for other New Zealand companies."

Contron International will be ... marketing the incubator, a ... product which "we couldn't le... die. If we hadn't gone with ... Healthdyne, we'd have been ... dead nine months ago," said ... Martin, who laments the loss of ... "the $35 million worth that we ... should have been exporting ... over the next five years."

ELECTION WATCH '81 Update: Pages 39-40

A word for those about to automate the office . . .

In this week's Data Processing Stephen Bell gives an overview of some of the considerations to be taken into account in spreading the tentacles of electronic information from the computer room into the office. Specifically, he looks at planning for word processing — the inevitable first step into the office automation jungle.

Next week, he will be looking in more detail at some of the ideas emerging from the "office of the future" merchants.

AUTOMATION of office functions is clearly an immense task for any organisation and a road along which local companies have so far taken only basic steps.

The prospect is an exciting one, but one embracing major changes, not only in the methods of administering office work, but in the entire "social" structure of the workplace.

Terminals and distributed processing have already begun to break down the organisational "wall" between the office and the "data processing" department. The full integration of office and "DP" functions promised or even theoretically deliverable now will complete the removal of the barrier.

New questions of division of responsibilities will be raised. Who takes charge of the merged information processing activity; the supervisors and managers of the office functions which used to operate manually, or the DP manager, in some organisations already resented as a little tin god with jargon-speaking acolytes?

The answer, in the short term at least, would seem to be some uneasy demarcation. The data processing manager will continue to run those parts of the operation which need the special knowledge of electronic hardware or the skills of programming.

The day-to-day pushing of the work through the integrated information system will increasingly fall to the clerical staff.

The DP department, which has always served the uncomfortable dual role of developer and day-to-day operator of information systems, will fall back increasingly into a purely developmental role: contact with day-to-day operations will be purely supervisory; monitoring the work passing through the system and scarcely needing to interfere.

Why then the "uneasiness" of the demarcation? Because it won't be long before something goes disastrously wrong with our integrated information system and fingers will start to point.

Not a new problem, of course; the fingers of blame have always pointed from one department to another in paper-based systems. But with closer electronic integration comes a closer awareness of the system as an entity, part of which "belongs" to the people in the office.

It no longer becomes a question of "you didn't fulfill your part of the operation", but "you messed up *our* information system."

On a less psychological level the electronic links may actually make blame more difficult to apportion. With people passing the information around, it is fairly easy to see whose department it was in when the foul-up occurred.

It is more difficult to see whose hands the invisible electronic information was in when "its integrity was compromised" (when someone fouled it up). The wrong people are blamed, resentment is created and the smoothly functioning system begins to grind its gears.

A more serious conflict could come about with the decision on acquisition of new equipment. An office manager who has always governed the choice of typewriter is not likely to react kindly when told by the "information systems manager" — previously the DP manager — that the word processing equipment he wants is not compatible with the central computer.

The problem of contention will probably end up being sorted out from above — more responsibility for higher management, or perhaps an introduction of a whole new stratum with overall responsibility for information planning.

Some reorganisation is inevitable, and it is obviously better done before the disputes arise than after. A good many organisations, their attention fixed by the bright new equipment and its constructive potential, could neglect this crucial step.

An electronic information "skeleton" in the organisation does more to organisational structure than merely demanding new responsibilities or new management positions.

The new visibility of the information links leads to a perception of the organisation as an information network rather than a hierarchical structure.

The question "who passes information to whom" suddenly becomes as important or more important than "who supervises whom". In fortunate cases, the two structures may meld successfully; but for the majority there is the spectre of yet more conflict.

Then there is the question of the nature of communications when electronic links begin to replace person-to-person information transfer. Norwegian industrial relations expert Kristen Nygaard gives a striking example of a telephone conversation between a shop clerk and a warehouseman, where the placing of an order is embellished with personal conversation.

Over the terminal link, with its defined protocols and data formats, there is room merely to place the order, not to ask "how is your injured arm?" or "how did the boating go last weekend?"

Noel Cheer's warnings about word processing (see Page 36) should be heeded for the whole of the automated office; human considerations come first; selection of equipment should be almost the last step.

What equipment, then, are the suppliers offering us? What is the potential, at least, for the automated, integrated office?

The foundation is well laid, with many local companies already well down the word-processing track, or at least planning to go that way.

Beyond this, one logical step is to records processing; the maintenance of simple files related to document production tasks on the office machine rather than the main "computer".

Word-processing may be combined with data entry to the computer, in such a way that the operators may be unaware of one or the other task. A letter may be generated as an incidental automatic consequence of entering information on to the files or vice-versa.

Alongside the word processing/data processing connection, the prospect of interconnection of familiar items of office equipment is being dangled before us. The word processor will be able to command the copying machine directly to produce several copies of the document being generated.

Paper documents coming into the office will be read by an optical-character-recognition device, and the information piped in digital form straight into the integrated system.

Document facsimile, an old but surprisingly little-used facility, will assume its place, with diagrams as well as words being passed around the network digitally.

All will be linked by high-speed simple co-axial cables on a "local area network", which allows "resources" — word processing devices, storage, electrostatic printers/copiers — to be placed where they are most needed and simply unclipped, shifted and reconnected in a different location as needs change.

The latest local area network system to emerge, from Wang, is directed at passing video signals alongside conventional digital information; a potential for "teleconferencing" or an interface with private or public videotex? It is no wonder that commentators feel tempted into flights of fancy, merely on the basis of equipment currently available in the United States.

But the reality will — and must — be bounded by human considerations. The automated office will arrive here only as quickly as we are prepared to accept it.

Speed of acceptance will be driven from one end by the DP people, proverbially keen to exploit the latest technology — usually because Bloggs up the road has the latest and is pirating our staff.

Any vendor who dares to offer the last generation of hardware to the newly aware DP people of this country is quickly accused of "dumping".

At the other extreme, we have the reputedly "laid-back", slow and steady style of New Zealand management — a management based on personal contact rather than super-fast electronic message-passing.

The two streams have until now proceeded substantially independently; many managers have left the DP department to its own devices — they just don't understand all that jargon.

Now that "wall" between DP and management, between DP and the office, is breaking down. Can the flights of the technology enthusiasts be successfully contained by the advocates of moderation; or will we have information system disasters on our hands — the consequence of moving too far, too fast, and with too little planning?

ELECTION WATCH '81 Update: Pages 39-40

First step, word-processing — but don't stumble

FOR most organisations the entry-point to "office automation" will be (or, already has been) by way of word-processing. Though this appears only a first step into a complex world, it is itself not something to be handled lightly, warns Noel Cheer, of IBM's office products division.

"Word processing" is not introduced simply by buying in a "word processor", a term which Cheer refuses to use. "There are text processing machines, and you can do word processing with or without them."

Word processing handled properly is a complex synergy of people, procedures and equipment, and something which has the potential to impact the whole information flow of a department or a whole organisation. Its introduction must be managed carefully and managed from the top, he stresses.

If management commitment to a proper plan is not there, "you might as well go on using electric typewriters." If you've got chaos in your document production and management, unplanned introduction of word processing "will just give you speeded-up chaos."

First step in any planning procedure is to define the goals. What do you want of word processing? The goal may be to improve service to the authors of documents, to improve the appearance of your documents, to contain costs, or to take that first step on the road to the automated office. Or your organisation may decide on a different goal. But the goal must be established from the beginning.

"When I was at school," said Cheer, "I used to puzzle over those books of mazes where you find your way to the centre with a pencil. Then someone told me the secret; you start from the centre and work your way out."

Whatever goals are decided on, they should be kept "few and tight", he emphasises, with one basic goal taking priority.

Setting of goals leads naturally on to strategy for implementation, with its more detailed questions. What level of service do we want to provide? How should the workflows proceed? Presumably work for the word processing department(s) will be queued in some way.

In what circumstances should someone have the right to "jump the queue"? Such strategies should be set long before the organisation even starts looking at equipment.

Potential workloads must be carefully judged and continuously monitored once the system is implemented. More efficient procedures always seem to generate more work to be handled. If expansion is not anticipated, the extra load falls on the operators. They could become disgruntled, and develop an adversary attitude to the whole word-processing concept.

Conversely, if one of the goals is to save time, then there must be clear plans for making use of that time.

Consultation with the people actually operating the word processing function is crucial, as some firms have learned the hard way. Staff must be kept informed of plans "before the rumour-mill starts," and the impact on their career aspirations and the relevance of their individual aptitudes should be carefully examined.

The effects of relocation on the operators and the increasingly sensitive ergonomic questions also have to be considered. The people charged with the word-processing decision "have to juggle all these balls at once," says Cheer; hardly the easy task it may have seemed at first.

Location raises a question as relevant to word processing as it is becoming in the computing world (*NBR*, August 3). Do we distribute our resource, with separate word processing operations for each department, or seek the economies of centralisation?

Distribution, Cheer points out, has its clear advantages. Operators will become used to the jargon and the practices of a particular department. The centralised organisation carries something of a typing-pool, "battery-hen" image, but this is not to say it might not be appropriate for some companies.

The equipment supplied for word-processing is already becoming more amenable to distribution, with a separate small processor in each workstation. In hardware terms, this will definitely be the shape of the future, Cheer maintains. He expresses dismay that some otherwise well respected word-processing "consultants" are still sold on the idea of a completely centralised "shared logic" system.

Distributed logic does not imply distribution of workstations; it simply relieves congestion of the system when word-processing applications become more complex, he points out.

Equipment selection, the last of the strategy decisions, carries problems of its own. What hardware features do we need to have to implement our desired strategy? With growth of our workload, what potential is there for add-on to the existing system, or will we find ourselves with obsolete equipment and the cost of a whole new range?

In selecting features of the equipment, as well as features of the desired service, it is important, as Cheer puts it, to distinguish the "need-to-haves" from the "nice-to-haves"; to trim down the adventurous flights of fancy, with a constant eye on the predefined goals.

Implementation of the system and the introduction of hardware and surrounding workflow and procedural changes should be set out on a timetable beforehand; room should be left for the unexpected, but the timetable should be adhered to as rigidly as possible.

Once the system is in place, its performance should be monitored and periodically reviewed against those expected goals. And not just for the first few weeks; it's very tempting to say "we've achieved the goals; it's working satisfactorily" and forget about monitoring.

The word-processing function must have constant management attention, and this must extend all the way to top management. The supervisor of word-processing should collate a daily report on what came in, what went out and any snags or complaints. The supervisor might then report weekly to the office manager, who would report monthly to top management, Cheer suggests.

Throughout, the results of the monitoring should come back to the goals and any modification of those goals which might be needed; "it's the classic management loop."

As part of the goal definition, a "target corridor" should be established, with maximum and minimum limits to productivity, savings, whatever it is you're trying to measure. When results start straying out of the corridor, corrective management action can be taken calmly before a panic situation develops.

What have proved the significant local pitfalls in Cheer's experience? Have people tried to take too big a "bite" at office automation at once?

He thinks not. "The trouble has been not so much in over-commitment as in under-supply of resources for the commitment made." The most significant "resources" in this context are management attention and people-power, with money a minor consideration.

On the level of commitment, New Zealand management tended to err on the side of caution.

The size of the initial automated office "bite" very much depends on individual characteristics, but in general, Cheer advises a little at a time. "Word-processing is what most people will cut their teeth on. But there's no point starting there if you haven't at least got electric typewriters. Get into those first."

How high growth policy damaged ICL

by Stephen Bell

ICL international manager John Lindeck is obviously used to being asked about the problems of the British computer company. He has clearly thought it through, and has a prepared monologue on all aspects of the subject.

Once he gets into his flow, it's difficult to divert him with further questions: "We'll come to that aspect in a minute, but in order to understand that, we should first look at . . .".

But he provides an interesting perspective on how a successful company landed itself with such huge losses. An inside view, but one able to stand off to a certain extent from head office and specifically British problems.

It is easy to blame the British economic recession for ICL's troubles, said Lindeck, but "we'd be kidding if we thought we'd made no wrong management decisions."

One of the most damaging had been the company's policy to aim consistently for high growth (about 20 per cent a year). Then the recession hit — "and it hit the DP companies very quickly, we were unable to turn the tap off quickly enough . . . we had got into the habit of setting inflexible targets" in production and sales.

On the financial side, the company had been "mismanaged in one crucial sense". It had been set up with 33 million pounds in share capital. This had never been expanded in its 13-year existence.

The ratio of loans to shareholder funds had become high, saddling the company with large interest payments.

"We should have had a rights issue when we were at the height of our success," Lindeck reflected.

Pre-1980 growth of ICL sales and profits had fuelled public expectation to the point where inevitable disappointment set in after the 1980 results.

"But how did we do in 1980? Did we make a thumping great loss? No, we made 25 million pounds profit."

In spite of warnings that the 1980 figures would not continue the upward curve, the public, and particularly the media, had set expectations high. The *Daily Express* had predicted a profit of 55 million pounds, "and the ensuing fuss did us tremendous harm".

In part, therefore, the latest half-year's slide into a 70 million pound loss had been a self-fulfilling prophecy, Lindeck maintained.

At the same time, the whole DP industry was struggling in the wake of the IBM 4300 announcement, offering a new increment in computer price/performance. In anticipation of more to come with the promised "H" series, there was a tremendous swing from direct purchase of machines to lease and rental.

This inevitably left the rival manufacturers with a large inventory of returned equipment; "assets" of little use, which simply had to be written off as quickly as possible.

Under these loads, he admitted, "the structure starts to crumble. People are less willing to lend you money."

ICL's situation, he pointed out, was by no means unique.

Burroughs suffered a drastic drop in profit last year, NCR profits also dipped, while IBM was only able to maintain growth by taking on a massive loan.

Any predictions for ICL's profit or loss figures next year?

"The previous board was predicting that we would break even," he said.

"The new board is making no predictions, and I don't consider it my place to comment."

The impact of profit figures on the company's viability had been overstated, Lindeck maintained.

"Companies don't go broke because they don't make profits; they go broke because they run out of money."

And ICL, he insisted, had not already eaten substantially into its 200 million pound Government-backed loan, as some sources alleged. The company owed a total of 189 million pounds, he admitted, but this was made up of a variety of debts, including 70 million pounds-worth of Government loans which had preceded the present loan.

Out of the latter, only 15 million pounds had been spent and ICL expected to get through 70 million pounds of its 27 million pound total Government loan by September. "That leaves us a 200 million pound cushion."

ICL could hardly be accused of leaning on the government any more than any other computer company, said Lindeck.

The US Government dealt out a lot of development contracts to US hardware manufacturers; the French and Germans insisted that government departments purchased local equipment; the Japanese Government subsidised its own industry with long-term loans at 1 per cent interest rate.

There is no government nowadays which is not dependent on computing power in the day-to-day running of the country's affairs, Lindeck pointed out, and a home-based computer industry obviously lent a country strength and independence.

Significantly, Lindeck's assessment of ICL's strengths concentrated on its advanced technology and bright people. Critics, meanwhile, point out that the crucial weakness of the company is on the marketing side.

Lindeck acknowledged this, again as one of the consequences of forced growth.

"When we were growing quickly, we built up an elaborate divisional, group and corporate (marketing) structure," he said. "We created a bureaucracy." Now that bureaucracy was beginning to be broken down into a structure which would function more efficiently.

"The international division came the nearest to expectations of any of the company's divisions.

"I would push overseas," said Lindeck, "if I could be guaranteed that the sterling exchange rate would drop."

Sirius — a dog-eat-dog problem for the Star?

THE prevailing conviction of computer people that they are worth more on the free market than working for an employer has led to friction between New Zealand News and five of its DP staff, who have now left the company.

NZN systems development manager James Cater and four of his co-workers formed their own company, Sirius Systems, and last month offered to sell their services to the *Auckland Star* publisher as a consultancy.

"We decided that our future would be financially more rewarding by ourselves," Cater told *NBR*. "At the same time, we didn't want to disrupt their programme of developments."

New Zealand News recently converted from ICL to Digital Equipment hardware, and is consequently involved in major development work.

On being approached by Sirius, NZ News interviewed each of the five separately, said Cater. The following week, he was given notice "and the others were asked to sign a document saying they would not do outside work." They refused to make such an undertaking and resigned.

"We felt we could offer them a better service as an independent consultancy, but they didn't give us time to tell them the details [of the proposed arrangement]."

Cater did not agree that there would have been any conflict of interest between his work for NZ News and for other clients, nor would the publisher have received less attention under the new arrangement.

If the principals had felt the pressure of outside work, they had access to other consultants who could help maintain an undiminished level of service to NZ News.

Sirius would continue in business and was by no means dependent on the NZ News work for its viability, he told *NBR*. The company already had other consultancy contracts and had circulated a brochure describing its services.

"I would like to emphasise that the door is still open to NZ News to use our services," Cater added.

But New Zealand News is obviously none too keen "If we are going to use a software house, we'd prefer to use an established company; someone with a reputation to uphold," said company secretary Ray Newman. It was important, before using external services to be able to check with previous satisfied clients, he said.

The disadvantage of Sirius's newness, he felt, outweighed any advantage the personnel had through their intimate knowledge of the NZN system.

The potential conflict of interest was a very real one, said Newman. "These people were engaged on a salary; we expect them to devote their full-time attention to our work."

Cater had been chosen for dismissal because "he was in an executive position."

The others had, he agreed, been asked to sign "new terms of engagement," which included a "no-outside-work" stipulation and undertakings of confidentiality. This, he said, was a contract of employment of the type becoming common overseas.

Obviously the loss of 50 per cent of its DP staff had seriously affected the company's operations, and it would "take some time to catch up."

NZN had already availed itself of alternative resources to continue development. The company would be recruiting to replace some of the Sirius people, but would no longer rely to the same extent on in-house staff, said Newman.

Dialling electronic 'directory service'

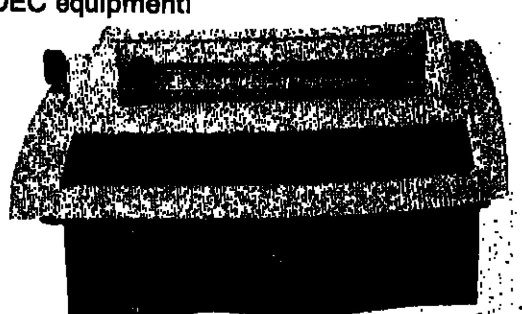
ALONGSIDE its videotex plans, the French Government's expensive punt at introducing the public to electronic information retrieval will concentrate on telephone directory inquiries.

Readers may have missed the significance of the terminal pictured in last week's article, which concentrated on French videotex plans.

The compact device, with a keyboard designed to fold up over the screen when not in use, will be supplied initially to 300,000 homes in the Ille-et-Villaine district, and ultimately to the whole of France, to supersede manual directory inquiries.

By the end of next year, the telephone directory terminals will be provided to every French household free of charge.

The terminal pictured was manufactured by CIT Alcatel.



Three's a crowd when it comes to old loyalties

by Colin James

OLD voting patterns have not been holding good during 1981. The intrusion of Social Credit as a major force in a three-party division seems to have dislocated voting habits.

That is suggested by findings in the Heylen-Television New Zealand poll for the period February to July, this year.

The results are set out in the table. It shows a conventional pattern among "loyal" voters (those saying they will vote for the same party they voted for in 1978), but a different pattern among "gains" to those parties from other parties, non-voting or among new voters.

The table breaks down Heylen findings by "socioeconomic level" — level I being the richest, most highly educated, most "professional" by occupation and level VI being the least well-off, least educated, least skilled. The index also takes into account the type of household.

National did better than average among level I to III "loyal" voters and worse than average among levels IV to VI. Labour was exactly the converse.

Social Credit was in the middle. It did worse than average in the two highest and two lowest levels and better than average in levels III and IV.

But among "gains," the picture was much less clear. Note that the inclusion of young voters, who tend to be less well-off and less well established in occupations, means that more "gains" were found in lower levels and fewer in higher levels than was the case with "loyals".

Even so, National's gains were below average in level I and Labour's above average. And in level V, heartland of Labour territory, the position was reversed.

Closer to expectations, National's gains in levels II and III were above average. But, unlike the position among "loyals", its gains in level IV were close to average, indicating that it has been pushing Labour back at the frontier between the two parties.

National's gains in level VI were also closer to average than its "loyal" representation at that level.

Labour's gains were correspondingly less clear-cut above-average in the lower levels than its "loyal" representation would lead one to expect.

And this was reflected in Social Credit's gains. Throughout the year Social Credit has continued to take more from Labour than from National, according to Heylen.

Social Credit's gains were above-average in both levels V and VI. But, unlike the "middle-of-the-road" distribution of its "loyal" supporters, its gains were below average in level IV.

Thus it appears that in 1981 so far the makeup of National voters has been shifting downwards, forcing a Labour retreat among its traditional voters (but a slight gain at the top), and Social Credit support has been widening across the spectrum — though more at the expense of Labour's heartland than National's.

The message for Labour is that it should principally be aiming at shoring up its traditional support, to pull back gains made by the other two parties.

VOTING IN HEYLEN POLL FEBRUARY-JULY, 1981 BY SOCIOECONOMIC LEVEL
(percentages)

Level	Total N/L/S (10124)	Loyal to: Nat (3183)	Lab (2667)	SC (1008)	Tot (6758)	Gains to: Nat (1098)	Lab (714)	SC (1554)	Tot (3366)	Others (1878)	Poll total (12000)
I	6.2	9.6	3.3	5.7	6.6	4.6	6.9	5 4	5.4	7.1	6.4
II	10.6	16.0	7.4	9.2	11.7	9.5	5.7	8.8	8.4	7.4	10.1
III	21.9	27.8	15.8	27.0	23.1	20.7	17.2	19.4	19 4	16.6	21.0
IV	30.4	27.0	32.5	31.4	29.7	32.6	33.2	30.7	32.9	28 3	30 1
V	20.3	14.4	27.0	19.7	20.0	21.6	19.5	21.0	20.9	22 9	20 7
VI	10 6	5.3	14.0	7.0	8.9	11.1	17.6	14.7	14.1	17.7	11 7

"Others" includes those supporting other parties, undecided, proposing not to vote or refusing to say how they will vote.

EXCEPTION has been taken to the description in last week's *Election Watch* articles of National's Auckland Central candidate, Dorice Reid, as a "token Cook Islander".

Reid herself at the National Party conference noted that she had been through a selection meeting. The National Maori MP for Hunua, Winston Peters, put down a notice of motion in Parliament on Tuesday deploring what he felt was an "insulting and racist" comment.

The fact that Reid went through a selection would not necessarily invalidate a comment that National had resorted to tokenism. It is notable that of its 11 women candidates, only two have better than outside chances of election and both its Pacific island candidates are in safe Labour seats.

Nevertheless, our use of the word "token" may have reflected on Reid rather than, as *Election Watch* intended, the party.

* * * * * * *

Ralph Maxwell, Labour candidate for Waitakere, says his comment that Social Credit voters should return to their rightful place with Labour should refer to those voters concerned with economic reform.

Election Watch's notes of a conversation with Maxwell on which its report was based show Maxwell did not make the qualification clear at the time.